



Dave Yost • Auditor of State

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position as of December 31, 2013	11
Statement of Activities – For the Fiscal Year Ended December 31, 2013	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds As of December 31, 2013.....	13
Statement of Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds As of December 31, 2013.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund For the Year Ended December 31, 2013	15
Government-wide Financial Statements:	
Statement of Net Position as of December 31, 2012	16
Statement of Activities – For the Fiscal Year Ended December 31, 2012	17
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds As of December 31, 2012.....	18
Statement of Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds As of December 31, 2012.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund For the Year Ended December 31, 2012	20
Notes to the Financial Statements	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Schedule of Findings	33

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Blanchester Public Library
Clinton County
110 North Broadway
Blanchester, Ohio 45107

To the board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Blanchester Public Library, Clinton County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Blanchester Public Library, Clinton County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.ohioauditor.gov

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2012, the Library adopted new accounting guidance in Governmental Accounting Standards Board Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2015

This page intentionally left blank.

Blanchester, Ohio Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and 2013
Unaudited

This discussion and analysis of the Blanchester, Ohio Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2012 and 2013, within the limitations of the Library's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2012 and 2013 are as follows:

Net position of the library increased \$178,623 during 2012 which is a significant increase of 62 percent from 2011, primarily as a result of the Library receiving a significant one-time bequest in 2012. Net position of the library increased \$11,171, or 2 percent, in 2013 which was a significant drop compared to 2012 which included the one-time significant bequest.

The Library's general receipts are primarily property taxes and .3428971 of Clinton County's Undivided Library Funds and a 2 mil levy for the library district. These receipts represent 77 and 98 percent of the total cash received for governmental activities during 2012 and 2013, respectively. Property tax receipts for 2012 and 2013 changed very little compared to 2011 as development within the Library District is stable and the Levy is a continuation levy. The ULF funds from the State drift down due to legislative shifts from state funding to local funding of the Libraries.

Health insurance continues to be a challenge with increases of 33 percent over the two year audit period. Measures were taken in 2013 to reduce costs for 2014.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not

Blanchester, Ohio Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and 2013
Unaudited

recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2012 and 2013, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include fines and fees paid by Library patrons of our mission of providing cultural opportunities through books and other media to our patrons. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for stability in ULF and property taxes.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Library has two governmental funds: the General Fund and the Building and Repair Fund.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library only has major funds to report for this audit period: the General Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Blanchester, Ohio Public Library
 Management's Discussion and Analysis
 For the Years Ended December 31, 2012 and 2013
 Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2012 compared to 2013 on a cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2013	2012
Assets		
Cash and Cash Equivalents	\$ 475,952	\$ 464,781
Total Assets	\$ 475,952	\$ 464,781
 Net Position		
Unrestricted	\$ 475,952	\$ 464,781
Total Net Position	\$ 475,952	\$ 464,781

As mentioned previously, net position of library activities increased \$ 178,623 (or 62 percent) during 2012 and \$11,171 (or 2 percent) during 2013. The primary reasons contributing to the increases in cash balances are as follows:

- In 2012, the Library had a major bequest from a patron in the amount of 164,354 for general use and was designated to go to the Building and Repair Fund by the Board of Trustees for major repairs or expansions that might be needed.

The increased revenue for 2012 and 2013 were accompanied by modest increases/decreases in:

- Decreases in salaries ranging from approximately a 1 percent decrease based on current contracts and reduction in employees through resignations.
- Increases in health insurance ranging from 7 percent to 20 percent based on employee reductions and negotiated insurance premiums.
- In 2013, the Library retired the note for purchase of adjacent property with a payment of \$10,000 plus interest in both 2012 and 2013.

Blanchester, Ohio Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and 2013
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2012 and 2013 for governmental activities.

(Table 2)
Changes in Net Position

	Governmental Activities	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 11,864	\$ 11,079
Total Program Receipts	11,864	11,079
General Receipts:		
Property Taxes	196,248	188,943
Unrestricted Gifts and Contributions	790	167,118
Grants and Entitlements Not Restricted to Specific Programs	419,584	420,741
Interest	549	619
Total General Receipts	617,171	777,421
Total Receipts	629,035	788,500
Disbursements:		
Library Services	105,533	106,404
Support Services	483,571	471,648
Capital Outlay	18,385	21,075
Debt Service	10,375	10,750
Total Disbursements	617,864	609,877
Increase (Decrease) in Net Position	11,171	178,623
Net Position, January 1	464,781	286,158
Net Position, December 31	\$ 475,952	\$ 464,781

Program receipts represent less than 2 percent of total receipts and are primarily comprised of fines and fees from patrons for media services.

In substance property tax receipts represent a substantial portion of the Library's total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for the Library represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of books, media, and consortium fees as well as programs to fulfil the mission of the Library. Other expenses are internal services such as payroll expenses and capital asset maintenance (utilities and building maintenance). Since the library is a service provider, a large portion (46%) of the budget is related to staff and infrastructure to provide services for informational, recreational, cultural and educational needs to the library district.

Governmental Activities

Blanchester, Ohio Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2012 and 2013
Unaudited

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for library include library services, support services, capital outlay and debt service. The next three columns of the Statement of Activities identify amounts paid for fines and fees for library services. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Library Services	\$ 105,533	\$ 95,826	\$ 106,404	\$ 95,577
Support Services	483,571	481,414	471,648	471,396
Capital Outlay	18,385	18,385	21,075	21,075
Debt Service	10,375	10,375	10,750	10,750
Total Expenses	<u>\$ 617,864</u>	<u>\$ 606,000</u>	<u>\$ 609,877</u>	<u>\$ 598,798</u>

The dependence upon property tax receipts, LLGSF and contributions and donations is apparent as nearly 100 percent of library activities are supported through these general receipts.

The Library's Funds

Total library's funds had receipts of \$788,500 for 2012 and \$629,035 for 2013 and disbursements of \$609,877 for 2012 and \$617,864 for 2013. The fund balance of the General Fund increased \$18,891 for 2012 as the result of an additional 1 mil levy passed and also the close scrutiny of expenses. The General Fund increased \$10,790 for 2013 for the same reasons. The additional milage for the levy has allowed us to offset the stagnant Library Funds from the State.

General Fund receipts were more than disbursements by \$18,891 and \$10,790 for 2012 and 2013, respectively, indicating that the General Fund is at least structurally balanced. It was the recommendation of the Finance Committee and administration that a continuation of our current level of spending will allow the Library to provide for our Library District for the foreseeable future.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012 and 2013, the Library amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above final-budgeted receipts due to donations, increase in fines and more in levy revenue than anticipated. The difference between final-budgeted receipts and actual receipts was not significant.

Final General Fund disbursements were budgeted at \$818,140 and \$846,994, while actual disbursements were \$615,147 and \$630,343 for 2012 and 2013, respectively.

Capital Assets and Debt Administration

Capital Assets

As the Library reports on the cash basis of accounting, capital assets are not reported in the accompanying financial statements.

Debt

At December 31, 2013, the Library's does not have any outstanding debt as the remainder of the Library's note was paid in 2013.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a small surplus for 2014; therefore, the Finance Committee and the administration implemented a strategy to maintain the library at the current level without anticipating any significant additional revenue.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pamela Smith CFO, Blanchester Public Library, 110 North Broadway, Blanchester, OH 45107.

Blanchester Public Library
Statement of Net Position - Cash Basis
December 31, 2013

	Governmental Activities	Total
Assets		
Equity in Pooled Cash and Cash Equivalents	\$475,952	\$475,952
<i>Total Assets</i>	\$475,952	\$475,952
 Net Position		
Unrestricted	475,952	475,952
<i>Total Net Position</i>	\$475,952	\$475,952

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Total
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	4,656	9,707	\$5,051	\$5,051
Collection Development and Processing	100,877		(100,877)	(100,877)
Support Services:				
Facilities Operation and Maintenance	21,659	2,157	(19,502)	(19,502)
Information Services	37,324		(37,324)	(37,324)
Business Administration	424,588		(424,588)	(424,588)
Capital Outlay	18,385		(18,385)	(18,385)
Debt Service:				
Principal Retirement	10,000		(10,000)	(10,000)
Interest and Fiscal Charges	375		(375)	(375)
<i>Total Governmental Activities</i>	<u>617,864</u>	<u>11,864</u>	<u>(606,000)</u>	<u>(606,000)</u>
<i>Total Primary Government</i>	<u>\$617,864</u>	<u>\$11,864</u>	<u>(606,000)</u>	<u>(606,000)</u>
		General Receipts:		
		Property Taxes Levied for General Purposes	196,248	196,248
		Unrestricted Gifts and Contributions	790	790
		Grants/Entitlements not Restricted to Specific Progra	419,584	419,584
		Earnings on Investments	549	549
		<i>Total General Receipts, Contributions to Permanent Fund, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>617,171</u>	<u>617,171</u>
		Change in Net Position	11,171	11,171
		<i>Net Position Beginning of Year</i>	<u>464,781</u>	<u>464,781</u>
		<i>Net Position End of Year</i>	<u>\$475,952</u>	<u>\$475,952</u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Assets and Fund Balances-Cash Basis
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$242,870	\$233,082	\$475,952
<i>Total Assets</i>	<u>\$242,870</u>	<u>\$233,082</u>	<u>\$475,952</u>
Fund Balances			
Committed		\$233,082	233,082
Assigned	12,479		12,479
Unassigned (Deficit)	230,391		230,391
<i>Total Fund Balances</i>	<u>\$242,870</u>	<u>\$233,082</u>	<u>\$475,952</u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General	Building and Repair Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$196,248		\$196,248
Library and Local Government Support	419,584		419,584
Patron Fines and Fees	10,497		10,497
Earnings on Investments	168	381	549
Miscellaneous	2,157		2,157
<i>Total Receipts</i>	<u>628,654</u>	<u>381</u>	<u>629,035</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	4,656		4,656
Collection Development and Processing	100,877		100,877
Support Services:			
Facilities Operation and Maintenance	21,659		21,659
Information Services	37,324		37,324
Business Administration	424,588		424,588
Capital Outlay	18,385		18,385
Debt Service:			
Principal Retirement	10,000		10,000
Interest and Fiscal Charges	375		375
<i>Total Disbursements</i>	<u>617,864</u>	<u>0</u>	<u>617,864</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,790</u>	<u>381</u>	<u>11,171</u>
<i>Net Change in Fund Balances</i>	10,790	381	11,171
<i>Fund Balances Beginning of Year</i>	<u>232,080</u>	<u>232,701</u>	<u>464,781</u>
<i>Fund Balances End of Year</i>	<u><u>\$242,870</u></u>	<u><u>\$233,082</u></u>	<u><u>\$475,952</u></u>

See accompanying notes to the basic financial statements

Blanchester Public Library
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$228,000	\$226,100	\$196,248	(\$29,852)
Library and Local Government Support	379,628	379,628	419,584	39,956
Patron Fines and Fees	9,000	9,000	10,497	1,497
Earnings on Investments	140	140	168	28
Miscellaneous	225	225	2,157	1,932
<i>Total Receipts</i>	<u>616,993</u>	<u>615,093</u>	<u>628,654</u>	<u>13,561</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	6,452	6,952	5,465	1,487
Collection Development and Processing	140,376	136,876	108,971	27,905
Support Services:				
Facilities Operation and Maintenance	41,400	45,400	21,695	23,705
Information Services	57,000	60,000	37,324	22,676
Business Administration	471,515	472,336	425,265	47,071
Capital Outlay	121,330	114,430	21,248	93,182
Debt Service:				
Principal Retirement	10,000	10,000	10,000	0
Interest and Fiscal Charges	1,000	1,000	375	625
<i>Total Disbursements</i>	<u>849,073</u>	<u>846,994</u>	<u>630,343</u>	<u>216,651</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(232,080)</u>	<u>(231,901)</u>	<u>(1,689)</u>	<u>230,212</u>
<i>Net Change in Fund Balance</i>	(232,080)	(231,901)	(1,689)	230,212
<i>Unencumbered Fund Balance Beginning of Year</i>	222,187	222,367	222,367	0
Prior Year Encumbrances Appropriated	<u>9,893</u>	<u>9,713</u>	<u>9,713</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$179</u></u>	<u><u>\$230,391</u></u>	<u><u>\$230,212</u></u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>	<u>Total</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$464,781</u>	<u>\$464,781</u>
<i>Total Assets</i>	<u><u>\$464,781</u></u>	<u><u>\$464,781</u></u>
Net Position		
Unrestricted	<u>464,781</u>	<u>464,781</u>
<i>Total Net Position</i>	<u><u>\$464,781</u></u>	<u><u>\$464,781</u></u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Total
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	4,494	10,827	\$6,333	\$6,333
Collection Development and Processing	101,910		(101,910)	(101,910)
Support Services:				
Facilities Operation and Maintenance	32,306	252	(32,054)	(32,054)
Information Services	25,686		(25,686)	(25,686)
Business Administration	413,656		(413,656)	(413,656)
Capital Outlay	21,075		(21,075)	(21,075)
Debt Service:				
Principal Retirement	10,000		(10,000)	(10,000)
Interest and Fiscal Charges	750		(750)	(750)
<i>Total Governmental Activities</i>	<u>609,877</u>	<u>11,079</u>	<u>(598,798)</u>	<u>(598,798)</u>
<i>Total Primary Government</i>	<u>\$609,877</u>	<u>\$11,079</u>	<u>(598,798)</u>	<u>(598,798)</u>
General Receipts:				
Property Taxes Levied for General Purposes			188,943	188,943
Unrestricted Gifts and Contributions			167,118	167,118
Grants/Entitlements not Restricted to Specific Program			420,741	420,741
Earnings on Investments			619	619
<i>Total General Receipts</i>			<u>777,421</u>	<u>777,421</u>
Change in Net Position			178,623	178,623
<i>Net Position Beginning of Year</i>			<u>286,158</u>	<u>286,158</u>
<i>Net Position End of Year</i>			<u>\$464,781</u>	<u>\$464,781</u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$232,080	\$232,701	\$464,781
<i>Total Assets</i>	<u>\$232,080</u>	<u>\$232,701</u>	<u>\$464,781</u>
Fund Balances			
Committed		\$232,701	232,701
Assigned	\$9,893		9,893
Unassigned (Deficit)	222,187		222,187
<i>Total Fund Balances</i>	<u>\$232,080</u>	<u>\$232,701</u>	<u>\$464,781</u>

See accompanying notes to the basic financial statements

Blanchester Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Building and Repair Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$188,943		\$188,943
Library and Local Government Support	420,741		420,741
Patron Fines and Fees	14,052		14,052
Contributions, Gifts and Donations	0	163,893	163,893
Earnings on Investments	157	462	619
Miscellaneous	252		252
<i>Total Receipts</i>	<u>624,145</u>	<u>164,355</u>	<u>788,500</u>
Disbursements			
Current:			
Library Services:			
Public Services and Programs	4,494		4,494
Collection Development and Processing	101,910		101,910
Support Services:			
Facilities Operation and Maintenance	32,306		32,306
Information Services	25,686		25,686
Business Administration	413,656		413,656
Capital Outlay	16,452	4,623	21,075
Debt Service:			
Principal Retirement	10,000		10,000
Interest and Fiscal Charges	750		750
<i>Total Disbursements</i>	<u>605,254</u>	<u>4,623</u>	<u>609,877</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,891</u>	<u>159,732</u>	<u>178,623</u>
<i>Net Change in Fund Balances</i>	18,891	159,732	178,623
<i>Fund Balances Beginning of Year, Restated</i>	<u>213,189</u>	<u>72,969</u>	<u>286,158</u>
<i>Fund Balances End of Year</i>	<u>\$232,080</u>	<u>\$232,701</u>	<u>\$464,781</u>

See accompanying notes to the basic financial statements

Blanchester Public Library
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$230,000	\$176,656	\$188,943	\$12,287
Library and Local Government Support	419,626	419,626	420,741	1,115
Patron Fines and Fees	9,000	9,000	14,052	5,052
Earnings on Investments	400	400	157	(243)
Miscellaneous	500	500	252	(248)
<i>Total Receipts</i>	<u>659,526</u>	<u>606,182</u>	<u>624,145</u>	<u>17,963</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	5,952	6,352	5,100	1,252
Collection Development and Processing	142,365	142,365	110,886	31,479
Support Services:				
Facilities Operation and Maintenance	47,400	51,800	32,306	19,494
Information Services	49,000	49,000	25,686	23,314
Business Administration	473,125	467,094	413,967	53,127
Capital Outlay	142,873	89,529	16,452	73,077
Debt Service:				
Principal Retirement	10,000	10,000	10,000	0
Interest and Fiscal Charges	2,000	2,000	750	1,250
<i>Total Disbursements</i>	<u>872,715</u>	<u>818,140</u>	<u>615,147</u>	<u>202,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(213,189)</u>	<u>(211,958)</u>	<u>8,998</u>	<u>220,956</u>
<i>Net Change in Fund Balance</i>	(213,189)	(211,958)	8,998	220,956
<i>Unencumbered Fund Balance Beginning of Year, Restated</i>	189,616	190,847	190,847	0
Prior Year Encumbrances Appropriated	<u>23,573</u>	<u>22,342</u>	<u>22,342</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,231</u>	<u>\$222,187</u>	<u>\$220,956</u>

See accompanying notes to the basic financial statements

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Description of the Library and Reporting Entity

The Blanchester Public Library (the Library) was organized as a school district public library under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Blanchester Local School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

2. Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Blanchester Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the cash and investment balances, of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building and Repair Fund The building fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital and technology improvements.

Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, and object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2013 and 2012, investments were limited to certificates of deposit. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2013 and 2012 amounted to \$168 and \$157, respectively.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's modified cash basis of accounting.

Employer Contributions to Cost-Sharing Pension Plan

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plan when they are paid. As described in Note 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no restrictions due to enabling legislation.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available. The Library does not have any amounts that are restricted by enabling legislation.

3. Change in Accounting Principle and Restatement of Net Position/Fund Equity

For 2012, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effect on fund balances of the major governmental funds and all other governmental funds as previously reported:

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Change in Accounting Principle and Restatement of Net Position/Fund Equity (Continued)

	General	Levy Fund	Building & Repair Fund	Total
Fund Balance at December 31, 2011	\$135,266	\$77,923	\$72,969	\$286,158
GASB 54 Change in in Fund Structure	77,923	(77,923)	0	0
Adjusted Fund Balance at December 31, 2011	<u>\$213,189</u>	<u>\$0</u>	<u>\$72,969</u>	<u>\$286,158</u>

For 2012, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Library's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

4. Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$12,456 in 2013 and \$9,893 in 2012 for the general fund.

5. Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Deposits and Investments (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$75 in undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2013, \$228,853 of the Library's bank balance of \$478,853 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

6. Grants-in-aid and Property Taxes

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. This method of distribution is called the "percentage of revenue" method. This method was not used for August 2011 through June 2013. During that 23 month period PLF received a designated percentage of the dollar amounts received by the fund during the corresponding month of the fiscal year 2011 "base-year" period. Effective July 2013 the statutory allocation method reverted to the "percentage of revenue" method for PLF distribution. The fund received an amount equal to a specified percentage of the amount of GRF tax revenue received during the previous month. Beginning with the July 2013 distribution the "statutory allocation method" was implemented. The calendar year 2013 entitlements were used in the computation as the basis of each county's allocation percentage. Those percentages were used through December 2013. In December 2013 the actual calendar year entitlement was computed. Any difference was adjusted evenly to the PLF distributions from January-June 2014. In calendar year 2014 the statutory entitlement computation method continued. Estimated entitlement figures were issued to County Auditors in July 2013, December 2013 and June 2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Grants-in-aid and Property Taxes (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

7. Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the Library obtained commercial insurance for comprehensive property and general liability and errors and omissions.

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

8. Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

9. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for 2013 for the major governmental funds and all other governmental funds are presented below:

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Fund Balances (Continued)

Fund Balances	General	Building & Repair Fund	Total
Committed to			
Capital Improvements		\$233,082	\$233,082
<i>Total Committed</i>	0	233,082	233,082
Assigned to			
Outstanding Encumbrances	12,479		12,479
<i>Total Assigned</i>	12,479	0	12,479
Unassigned (Deficit)	230,391		230,391
<i>Total Fund Balances</i>	<u>\$242,870</u>	<u>\$233,082</u>	<u>\$475,952</u>

The constraints placed on fund balance for 2012 for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Building and Repair Fund	Total
Committed to			
Capital Improvements		\$232,701	\$232,701
<i>Total Committed</i>	0	232,701	232,701
Assigned to			
Outstanding Encumbrances	9,893		9,893
<i>Total Assigned</i>	9,893	0	9,893
Unassigned (Deficit)	222,187		222,187
<i>Total Fund Balances</i>	<u>\$232,080</u>	<u>\$232,701</u>	<u>\$464,781</u>

10. Related Party Transactions

The fiscal officer is the spouse of the Certified Public Accountant that is preparing the Library payroll reports. The Library does not pay for this service.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Blanchester Public Library
Clinton County
110 North Broadway
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and each major fund of Blanchester Public Library, Clinton County, Ohio (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 11, 2015, wherein we noted the Library's financial statements are prepared on the cash basis of accounting. We also noted the Library implemented *Governmental Accounting Standards Board Statements No. 54 and 63*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Library's Response to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2015

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2013-001

Noncompliance Citation and Material Weakness

Ohio Administrative Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Library did not have controls in place to ensure that revenues were reported with the proper classification. The Library classified \$41,397 in 2012 and \$39,004 in 2013 as taxes when they should have been recorded as intergovernmental revenue.

Also, the Library did not have a procedure to ensure the accuracy of the Budget to Actual statements. The budgetary statement presented by the library did not agree to the financial records for the library.

Fund Type	Appropriations Adopted or Filed	Appropriations Posted in the Accounting System and Presented in the Budget to Actual Statements	Variance
General Fund 2013	\$846,994	\$856,886	\$9,894
General Fund 2012	818,140	841,714	23,574

Failure to accurately present financial transactions and budgetary information: 1) resulted in inaccurate financial statements, 2) reduces the accountability over Library funds, 3) reduces the Board's ability to monitor financial activity and make informed financial decisions.

The Library should review the sources of revenue and post the intergovernmental revenues to the correct account. The Library should also ensure that the official budget is posted to the accounting system and presented in the financial statements. The accompanying financial statements have been adjusted to correct these errors.

Officials' Response:

Revenues reported with incorrect classification

The Library has created an account to accurately report intergovernmental revenue instead of Levy Revenue. A detailed spread sheet is generated which includes all revenue generated from the Levy broken down into County and State Funds. This is compared to the financial statements on a monthly basis to ensure accurate reporting of the intergovernmental revenue.

Accuracy of Budget to actual statements

The Library has worked with their software provider to ensure that the computer generated report is accurate. In addition, the Library has added use of the State recommended excel shell for Libraries as an additional check on balancing and accuracy. This report is checked by the CFO and the assistant. The Library updated their Financial Software in September to be on line with the most current reporting. 2014 is a transitional year and 2015 the new software is fully operational.

FINDING NUMBER 2013-002

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications related to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The Library was not aware of the requirements of GASB 54 and had not adopted policies or procedures to ensure proper implementation.

In prior years, the Library received money from a levy that was reported as a Major Special Revenue Fund; however there were no externally imposed restrictions on the use of the funds. Sources of revenue for this fund during 2012 and 2013 were taxes and intergovernmental revenue.

Under GASB 54 guidelines, the Library should have reported the money with no restrictions in the General Fund. This resulted in the reclassification of Levy Fund disbursements to the General Fund in the amounts of \$250,307 for 2012 and \$232,900 for 2013, Levy Fund Receipts in the amounts of \$230,340 for 2012 and \$235,253 for 2013 and resulting following fund balance adjustment to the financial statements:

2012	General Fund	Levy Fund
Fund Balance Reported at 12/31/2012	\$174,124	\$57,956
Reclassification of the Levy Fund	57,956	(57,956)
Fund Balance, Restated at 12/31/2012	232,080	0
2013	General Fund	Levy Fund
Fund Balance Reported at 12/31/2013	\$182,563	\$60,307
Reclassification of the Levy Fund	60,307	(60,307)
Fund Balance, Restated at 12/31/2013	242,870	0

Misclassification of fund balances result in inaccurate financial statement presentation of the availability of Library funds.

The Library should review the GASB 54 statement and classify fund balances in accordance with the GASB 54 statement when preparing the financial statements. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation. The accompanying financial statements have been adjusted to reflect this change.

Officials' Response:

The Library has worked with their software provider to recode the Financial Statement to reflect the requirements for GASB 54. The General Fund 101 and Levy Fund 201 are combined into one Governmental Fund for the annual financial Statement. This is reflected on the 2014 financial statements. Reports have been coded into the financial software and an excel spread sheet is generated to check the accuracy of the reporting.



Dave Yost • Auditor of State

BLANCHESTER PUBLIC LIBRARY

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2015**