



Dave Yost • Auditor of State

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Germantown Public Library
Montgomery County
51 North Plum Street
Germantown, Ohio 45327

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown Public Library, Montgomery County, Ohio (the Library), as of and for the years ended December 31, 2014 and 2013, 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown Public Library, Montgomery County, Ohio, as of December 31, 2014 and 2013, and the respective changes in modified 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.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 December 4, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

This discussion and analysis of the Germantown Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2014, within the limitations of the Library's modified cash basis 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 2014 are as follows:

- Net position of governmental activities decreased \$178,091 or 35.7% from 2013.
- The Library's general receipts are primarily from the Public Library Fund (PLF), a portion of state tax revenue. These receipts represent 97.6% of the total cash received for governmental activities during the year. PLF receipts for 2014 were 1.9% lower than in 2013.
- Disbursements, not including capital projects and debt service, were \$19,683 or 3.4% lower than in 2013.

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 modified cash basis of accounting.

Report Components

The Statement of Net Position presents the cash balances and investments of the Library. All of the library's activities are considered governmental, supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from the function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

The Statement of Assets and Fund Balances shows the level of activity in each of the Library's major funds.

Basis of Accounting

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

As a result of using the modified 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 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 modified cash basis of accounting.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Reporting the Germantown Public Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Germantown Public Library did financially during 2014, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

These statements report the Germantown Public 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 Germantown Public Library's financial condition, you should also consider other non-financial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue source, state tax receipts.

In the Statement of Net Position and the Statement of Activities, we divide the Library into two types of activities:

Governmental activities – All of the Germantown Public Library's basic services are reported here. State tax receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity – The Germantown Public Library has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Germantown Public Library's Most Significant Funds

Fund financial statements provide detailed information about the Germantown Public 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 funds of the Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – All of the Germantown Public 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 Germantown Public Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. As of the end of 2014, the Germantown Public Library has two major funds – the General Fund and the Debt Service Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Proprietary Funds – When the Library charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Germantown Public Library has no Proprietary Funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs. The Germantown Public Library has no fiduciary funds

The Germantown Public Library as a Whole

Table 1 provides a summary of the Library's Net Position for 2014 on a modified cash basis compared to 2013.

Table 1		
Net Assets		
	Governmental Activities	
	2014	2013
Assets:		
Cash and Cash Equivalents	\$306,437	\$478,992
Investments	15,000	20,536
Total Assets	321,437	499,528
Net Position:		
Restricted for:		
Debt		30,277
Capital Outlay	11,638	11,838
Other Purposes	15,280	15,213
Unrestricted	294,519	442,200
Total Net Position	\$321,437	\$499,528

As mentioned previously, net position of governmental activities decreased \$178,091 or 35.7% percent during 2014 due largely to the decision of the Board of Trustees to use reserves to pay off the outstanding anticipation note.

Table 2 reflects the Changes in Net Position in 2014 in comparison with 2013.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Table 2

	<u>Governmental Activities</u> <u>2013</u>	<u>Governmental Activities</u> <u>2014</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$11,540	\$16,026
Operating Grants and Contributions	3,320	
Capital Grants and Contributions		
Total Program Receipts	<u>14,860</u>	<u>16,026</u>
General Receipts:		
Grants and Entitlements not Restricted to Specific Programs	663,475	650,645
Unrestricted Gifts & Contributions	385	5,456
Earnings on Investments	2,029	1,909
Miscellaneous	87	100
Total General Receipts	<u>665,976</u>	<u>658,109</u>
Total Receipts	680,836	674,135
Disbursements:		
Library Services	578,459	558,776
Capital Outlay	7,181	1,511
Debt Services	140,831	291,939
Total Disbursements	<u>726,471</u>	<u>852,226</u>
Excess (Deficiency) Before Transfers	(45,635)	(178,091)
Transfers Out	(51,300)	(51,300)
Transfers In	51,300	51,300
Increase (Decrease) in Net Assets	<u>(45,635)</u>	<u>(178,091)</u>
Net Position, January 1	<u>545,163</u>	<u>499,528</u>
Net Position, December 31	<u>\$499,528</u>	<u>\$321,437</u>

Program receipts represent only 2.4% of total receipts and are primarily comprised of patron fines and fees and charges for copies and printed material.

General receipts represent 97.6% of the Library's total receipts. Of this amount, 98.9% is provided by state funding (PLF). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other library activities. These include the salaries, library materials and supplies, contracted services and maintenance expenses

The Germantown Public Library's Funds

Total governmental funds had receipts of \$674,135 and disbursements of \$852,226. The General Fund balance decreased by \$147,681 due to the decision by the Board of Trustees to use reserve funds to retire the outstanding debt by the end of 2014.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

The following table summarizes fund balance changes over the year:

	Fund Balance 12/31/13	Fund Balance 12/31/14	Increase (Decrease)
General Fund	\$422,200	\$294,519	(\$147,681)
Other Governmental Funds	57,328	26,918	(30,410)
Total	\$499,528	\$321,437	(\$178,091)

General Fund Budgeting Highlights

The Germantown Public 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 typically the General Fund.

Final actual receipts of the General Fund were \$27,752 or 4.9% higher than budgeted receipts.

Final disbursements before transfers for the General Fund were budgeted at \$713,695 while actual disbursements before transfers were \$703,439. Cost control measures were undertaken, particularly in the area of personnel and materials acquisitions, given the uncertainty of state funding in the current economic situation.

Capital Assets and Debt Administration

Capital Assets

The Germantown Public Library inventories all capital assets with a purchase price of over \$500. The library does not use balance sheet accounting. The inventory of these assets is maintained by the Fiscal Officer.

Debt

In September, 2007, the Germantown Public Library issued a Library Fund Facilities Note (anticipation note) in the amount of \$725,000. This note was issued in accordance with ORC §3375.404, with repayment to be made from general library fund distribution. This note had a face value of \$725,000, 10 year maturity, an interest rate of 4.5% per annum, and required semi-annual repayment of principal and interest. The single note was held by First National Bank of Germantown. The trustees approved the issuance of this note at the regular meeting held August, 2007.

The Board of Trustees voted to use reserve funds to pay off this debt during 2014. The note was retired November 1, 2014, and 2015 debt service obligation and Debt Service Fund balance is zero.

Current Issues

The challenge for the Germantown Public Library is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely almost exclusively on state funding. Ohio law was changed to redefine library funding effective July 1, 2013. Beginning in July, 2013 the PLF distribution is set at 1.66% of General Fund Revenues. The forecast for 2014 is a 2-3% decrease in state funding, while for 2015 an increase is expected. However, 2015 is a biennium budget year, and constraints and demands for state funds will create pressure to again change the funding formula. The future of state funding is still extremely uncertain, even with the economic recovery.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Contacting the Germantown Public Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Germantown Public 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 Patricia L. Schaeff, Fiscal Officer, Germantown Public Library, 51 N. Plum St., Germantown, Ohio 45427.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$306,437
Investments	15,000
Total Assets	\$321,437
 Net Position:	
Restricted for:	
Capital Projects	11,638
Permanent Fund: Fine Arts Library Material	
Expendable	179
Non-expendable	5,000
Permanent Fund: Library material, any	
Expendable	101
Non-expendable	10,000
Unrestricted	294,519
Total Net Position	\$321,437

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
Governmental Activities:			
Current:			
Library Services	\$558,776	\$16,026	(\$542,750)
Capital Outlay	1,511		(1,511)
Debt Service:			
Principal Retirement	279,134		(279,134)
Interest and Fiscal Charges	12,805		(12,805)
Total Governmental Activities	<u>\$852,226</u>	<u>\$16,026</u>	<u>\$ -</u>

General Receipts:

Unrestricted Gifts and Contributions	5,456
Grants and Entitlements not Restricted to Specific Programs	650,644
Earnings on Investments	1,909
Miscellaneous	100
Total General Receipts	<u>658,109</u>
Change in Net Position	(178,091)
Net Position Beginning of Year	499,528
Net Position End of Year	<u>\$321,437</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$294,519		\$11,918	\$306,437
Investments			15,000	15,000
Total Assets	<u>294,519</u>		<u>26,918</u>	<u>321,437</u>
Fund Cash Balances, December 31:				
Non-spendable			15,000	15,000
Restricted			11,918	11,918
Assigned	8,693			8,693
Unassigned	285,826			285,826
Fund Cash Balances, December 31	<u>\$294,519</u>	<u>\$0</u>	<u>\$26,918</u>	<u>\$321,437</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Public Library	\$574,952	\$75,692		\$650,644
Patron Fines and Fees	10,826			10,826
Services Provided to Other Entities	5,200			5,200
Contributions, Gifts and Donations	5,456			5,456
Earnings on Investments	1,831		\$78	1,909
Miscellaneous	100			100
Total Receipts	<u>598,365</u>	<u>75,692</u>	<u>78</u>	<u>674,135</u>
Disbursements:				
Current:				
Library Services	558,776			558,776
Capital Outlay			1,511	1,511
Debt Service:				
Principal Retirement	135,970	143,164		279,134
Interest and Fiscal Charges		12,805		12,805
Total Disbursements	<u>694,746</u>	<u>155,969</u>	<u>1,511</u>	<u>852,226</u>
Excess of Receipts Over (Under) Disbursements	<u>(96,381)</u>	<u>(80,277)</u>	<u>(1,433)</u>	<u>(178,091)</u>
Other Financing Sources (Uses):				
Transfers In		50,000	1,300	51,300
Transfers Out	(51,300)			(51,300)
Total Other Financing Sources (Uses)	<u>(51,300)</u>	<u>50,000</u>	<u>1,300</u>	
Net Change in Fund Balances	(147,681)	(30,277)	(133)	(178,091)
Fund Balances Beginning of Year	442,200	30,277	27,051	499,528
Fund Balances End of Year	<u>\$294,519</u>	<u>\$0</u>	<u>\$26,918</u>	<u>\$321,437</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - 1000 GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Public Library	\$552,413	\$552,413	\$574,952	\$22,539
Patron Fines and Fees	12,000	12,000	10,826	(1,174)
Services Provided to Other Entities			5,200	5,200
Contributions, Gifts and Donations	5,000	5,000	5,456	456
Earnings on Investments	1,200	1,200	1,831	631
Miscellaneous			100	100
Total Receipts	<u>570,613</u>	<u>570,613</u>	<u>598,365</u>	<u>27,752</u>
Disbursements:				
Current:				
Library Services:	577,725	577,725	567,469	10,256
Debt Service:				
Principal Retirement		135,970	135,970	
Total Disbursements	<u>577,725</u>	<u>713,695</u>	<u>703,439</u>	<u>10,256</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,112)</u>	<u>(143,082)</u>	<u>(105,074)</u>	<u>38,008</u>
Other Financing Sources (Uses):				
Transfers Out	(51,300)	(51,300)	(51,300)	
Other Financing Uses	(10,356)	(10,356)		10,356
Total Other Financing Sources (Uses)	<u>(61,656)</u>	<u>(61,656)</u>	<u>(51,300)</u>	<u>10,356</u>
Net Change in Fund Balance	(68,768)	(204,738)	(156,374)	48,364
Unencumbered Fund Balance Beginning of Year	433,314	433,314	433,314	
Prior Year Encumbrances Appropriated	8,885	8,885	8,885	
Unencumbered Balance End of Year	<u>\$373,431</u>	<u>\$237,461</u>	<u>\$285,825</u>	<u>\$48,364</u>

See accompanying notes to the basic financial statements.

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**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Germantown Public Library was organized as a school district public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Valley View 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 Valley View 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 Valley View 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 Valley View Board of Education.

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to 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

The financial statements of the Germantown Public Library have been prepared on a modified cash basis of accounting. This modified 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.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Position and Fund Balances, a Statement of Activities, and a Statement of Assets and Fund Balances, which provide a more detailed level of financial information.

The Statement of Net Position presents the cash balances and investments of the Library. All of the library's activities are considered governmental, supported by taxes and intergovernmental revenues.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from the function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

The Statement of Assets and Fund Balances shows the level of activity in each of the Library's major funds.

The Library's funds are all classified as governmental.

B. 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. Funds may be governmental, proprietary or fiduciary.

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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 all financial resources except those required to be accounted for 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.

Debt Service Fund – The debt service fund accounts for monies set aside from the state tax (PLF) revenue to provide funds for the semi-annual payment on the anticipation note debt of the library. The library paid off all existing debt during 2014 and the fund balance is zero as of 12/31/2014.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. 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 Fiscal Officer. 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.

The Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – for the General Fund is presented on a budgetary basis to provide a meaningful comparison of actual results with the budget. The only difference between the budget basis and the modified cash basis is that in order to be compliant with Ohio law, encumbrances are recorded as the equivalent of an expenditure on the Budget basis as opposed to a reservation of fund balances for governmental funds (modified cash basis).

Encumbered appropriations do not lapse at year end, and are therefore not re-appropriated the following year. The adjustment necessary to convert the results of operations for the year ended December 31, 2014 on the modified cash basis to the budget basis is as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
General Fund**

Modified Cash Basis	(\$147,681)
Encumbrances	<u>(8,693)</u>
Budget Basis	<u>(\$156,374)</u>

E. 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."

The Library's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (contra-revenue), respectively.

During 2014, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio, these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014. This investment was liquidated in 2014 and at December 31, 2014 was valued at \$0.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2014 amounted to \$1,831.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations are imposed on their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The restricted assets of the Library represent gifts in which the principle is not to be spent, and the earnings are to be used for specific purposes.

In the government-wide financial statements, governmental activities report temporary and permanent restrictions on net assets for amounts that are restricted by outside parties for use for a specific purpose.

G. 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.

H. 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.

I. 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:

Non-spendable – The non-spendable 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.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Un-assigned – Un-assigned 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.

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

L. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after non-operating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificated 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.

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 may 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;

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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 2 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the Library had demand and time deposits in two banks. Total deposits were \$60,035 and \$246,402 all of which is covered by federal depository insurance. The library also held certificates of deposits in the amount of \$15,000, which are classified as investments on the Statement of Net Position.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. STAR Ohio is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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.

The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The STAR Ohio account for the Library was closed in 2014, and at December 31, 2014 the balance was \$0.

4. INTER-FUND TRANSFERS

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations. During 2014, \$1,300 was transferred from the General Fund to the Capital Projects Fund in anticipation technology repairs and replacements, and \$50,000 was transferred to the Debt Service Fund for prepayment of the anticipation note held by First National Bank of Germantown.

5. 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 2014, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Auto-Owners Insurance	Commercial Property	\$3,822,100
	Personal Property	227,090
	Inventory/Collection	1,500,000
	Computer Equipment	40,000
Chubb Insurance Group	Errors and Omissions	2,000,000
	Employment Practices Liability	2,000,000
Auto-Owners Insurance	Fidelity and Deposit	100,000

Settled claims have not exceeded 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. No worker's compensation claims were filed during 2014.

The Library is a reimbursing employee with the Ohio Department of Jobs and Family Services. One claim has been filed during 2014. Total reimbursed un-employment insurance during 2014 was \$1,450, and a maximum liability exists during 2015 of \$6,380 as a result of this claim. As of 12/31/14, if the Library were to close and layoff all employees, unemployment liability would be in excess of \$2,900 per week, or approximately \$76,000 for the 26 week period of unemployment benefits liability.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2014, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2014 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, were \$45,657, \$45,589, \$45,377, respectively.

7. DEBT

In September, 2007, the library issued a Library Fund Facilities Note (anticipation note) in the amount of \$725,000. This note was issued in accordance with ORC §3375.404. Repayment is to be made from General Fund revenue from Library and Local Government Fund monies derived from State of Ohio tax receipts. This note had a face value of \$725,000, 10 years to maturity, 4.5% per annum interest. The single note was held by First National Bank of Germantown, and required semi-annual repayment of principal and interest.

During the calendar year 2014, the Board of Trustees voted to appropriate General Fund reserves to pay off the balance of the loan. The note was retired as of November 1, 2014.

<u>Governmental Activities</u>	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2014</u>	<u>Due Within One Year</u>
2007 Library Fund Facilities Note (\$725,000 at 4.5 percent)	\$279,134		\$279,134		

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

8. LEASES

The library leases computer server services from COOL, (the Consortium of Ohio Libraries). The Library disbursed \$9,433 in 2014 to pay for this leased service. The following schedule is an estimate of future lease payments under this contract:

2015	\$9,000
2016	9,000
2017	9,000
2018	<u>9,000</u>
Total	<u><u>\$36,000</u></u>

The library also leases a copier. The charge of the lease is \$1,385 per year for four years, with a term ending 12/15/2018.

9. GRANTS-IN-AID AND TAX RECEIPTS

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.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

This discussion and analysis of the Germantown Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2013, within the limitations of the Library's modified cash basis 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 2013 are as follows:

- Net position of governmental activities decreased \$45,635 or 8.4% from 2012.
- The Library's general receipts are primarily from the Public Library Fund (PLF), a portion of state tax revenue. These receipts represent 97.8% of the total cash received for governmental activities during the year. PLF receipts for 2013 were 2.3% higher than in 2012.
- Disbursements, not including capital projects and debt service, were \$2,754 or 0.5% higher than in 2012.

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 modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Germantown Public 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 Germantown Public Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 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 modified cash basis of accounting.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Reporting the Germantown Public Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Germantown Public Library did financially during 2013, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Government's general receipts.

These statements report the Germantown Public 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 Germantown Public Library's financial condition, you should also consider other non-financial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue source, state tax receipts.

In the Statement of Net Assets and the Statement of Activities, we divide the Library into two types of activities:

Governmental activities – All of the Germantown Public Library's basic services are reported here. State tax receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity – The Germantown Public Library has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Germantown Public Library's Most Significant Funds

Fund financial statements provide detailed information about the Germantown Public 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 funds of the Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – All of the Germantown Public 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 Germantown Public Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Germantown Public Library has two major funds – the General Fund and the Debt Service Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Proprietary Funds – When the Library charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Germantown Public Library has no Proprietary Funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs. The Germantown Public Library has no fiduciary funds

The Germantown Public Library as a Whole

Table 1 provides a summary of the Library's Net Position for 2013 on a modified cash basis compared to 2012.

**Table 1
Net Assets**

	Governmental Activities	
	2013	2012
Assets:		
Cash and Cash Equivalents	\$478,992	\$417,792
Investments	20,536	127,371
Total Assets	499,528	545,163
Net Position:		
Restricted for:		
Debt	30,277	30,277
Capital Outlay	11,838	17,705
Other Purposes	15,213	15,145
Unrestricted	442,200	482,036
Total Net Position	\$499,528	\$545,163

As mentioned previously, net position of governmental activities decreased \$45,635 or 8.4% percent during 2013 due largely to the decision of the Board of Trustees to use reserves to prepay the principal on the outstanding debt.

Table 2 reflects the Changes in Net Position in 2013 in comparison with 2012.

Table 2

	Governmental Activities	Governmental Activities
	2012	2013
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$10,456	\$11,540
Operating Grants and Contributions		3,320
Capital Grants and Contributions		
Total Program Receipts	10,456	14,860

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

**Table 2
(Continued)**

	Governmental Activities 2012	Governmental Activities 2013
General Receipts:		
Grants and Entitlements not Restricted to Specific Programs	648,647	663,475
Unrestricted Gifts & Contributions	815	385
Earnings on Investments	2,070	2,029
Miscellaneous	7,038	87
Total General Receipts	<u>658,570</u>	<u>665,976</u>
Total Receipts	669,026	680,836
Disbursements:		
Library Services	575,705	578,459
Capital Outlay	18,672	7,181
Debt Services	90,831	140,831
Total Disbursements	<u>685,208</u>	<u>726,471</u>
Excess (Deficiency) Before Transfers	(16,182)	(45,635)
Transfers Out	(5,000)	(51,300)
Transfers In	5,000	51,300
Increase (Decrease) in Net Assets	<u>(16,182)</u>	<u>(45,635)</u>
Net Position, January 1	<u>561,344</u>	<u>545,163</u>
Net Position, December 31	<u><u>\$545,163</u></u>	<u><u>\$499,528</u></u>

Program receipts represent only 2.2% of total receipts and are primarily comprised of patron fines and fees and charges for copies and printed material.

General receipts represent 97.8% of the Library's total receipts. Of this amount, 99.6% is provided by state funding (PLF). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other library activities. These include the salaries, library materials and supplies, contracted services and maintenance expenses

The Germantown Public Library's Funds

Total governmental funds had receipts of \$680,836 and disbursements of \$726,471. The General Fund balance decreased by \$39,836 due to a transfer of surplus funds into the Debt Service Fund for prepayment of principal on the outstanding debt.

The following table summarizes fund balance changes over the year:

	Fund Balance 12/31/12	Fund Balance 12/31/13	Increase (Decrease)
General Fund	\$482,036	\$422,200	(\$39,836)
Other Governmental Funds	63,127	57,328	(5,799)
Total	<u>\$545,163</u>	<u>\$499,528</u>	<u>(\$45,635)</u>

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Germantown Public 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 typically the General Fund.

Final actual receipts of the General Fund were \$211 or 0.03% lower than budgeted receipts.

Final disbursements before transfers for the General Fund were budgeted at \$592,394 while actual disbursements before transfers were \$587,344. Cost control measures were undertaken, particularly in the area of personnel and materials acquisitions, given the uncertainty of state funding in the current economic situation.

Capital Assets and Debt Administration

Capital Assets

The Germantown Public Library inventories all capital assets with a purchase price of over \$500. The library does not use balance sheet accounting. The inventory of these assets is maintained by the Fiscal Officer.

Debt

In September, 2007, the Germantown Public Library issued a Library Fund Facilities Note (anticipation note) in the amount of \$725,000. This note was issued in accordance with ORC §3375.404, with repayment to be made from general library fund distribution. This note has a face value of \$725,000, 10 year maturity, an interest rate of 4.5% per annum, and requires semi-annual repayment of principal and interest. The single note is held by First National Bank of Germantown. The trustees approved the issuance of this note at the regular meeting held August, 2007.

Funding to service the debt is accrued monthly in the Debt Service Fund. The monthly amount required to make the semi-annual payments is charged to this fund from the Public Library Fund receipts. The annual debt service is \$90,830, or approximately 14.0% of PLF receipts.

Current Issues

The challenge for the Germantown Public Library is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely almost exclusively on state funding. Ohio law was changed to redefine library funding effective July 1, 2013. Beginning in July, 2013 the PLF distribution is set at 1.66% of General Fund Revenues. The forecast for 2014 is a 2-3% decrease in state funding, while for 2015 an increase is expected. However, 2015 is a biennium budget year, and constraints and demands for state funds will create pressure to again change the funding formula. The future of state funding is still extremely uncertain, even with the economic recovery.

Contacting the Germantown Public Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Germantown Public 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 Patricia L. Schaeff, Fiscal Officer, Germantown Public Library, 51 N. Plum St., Germantown, Ohio 45427.

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**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$478,992
Investments	20,536
Total Assets	499,528
Net Position:	
Restricted for:	
Capital Projects	11,838
Debt Service	30,277
Permanent Fund: Fine Arts Library Material:	
Expendable	157
Non-expendable	5,000
Permanent Fund: Library material, any:	
Expendable	56
Non-expendable	10,000
Unrestricted	442,200
Total Net Position	\$499,528

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities				
Current:				
Library Services	\$578,459	\$11,540	\$3,320	(\$563,599)
Capital Outlay	7,181			(7,181)
Debt Service:				
Principal Retirement	123,529			(123,529)
Interest and Fiscal Charges	17,302			(17,302)
Total Governmental Activities	<u>\$726,471</u>	<u>\$11,540</u>	<u>\$3,320</u>	<u>(711,611)</u>
 General Receipts:				
Unrestricted Gifts and Contributions				385
Grants and Entitlements not Restricted to Specific Programs				663,475
Earnings on Investments				2,029
Miscellaneous				87
Total General Receipts				<u>665,976</u>
Change in Net Position				(45,635)
Net Position Beginning of Year				545,163
Net Position End of Year				<u>\$499,528</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$436,664	\$30,277	\$12,051	\$478,992
Investments	5,536		15,000	20,536
Total Assets	<u>442,200</u>	<u>30,277</u>	<u>27,051</u>	<u>499,528</u>
Fund Cash Balances, December 31				
Non-spendable			15,000	15,000
Restricted		30,277	12,051	42,328
Assigned	68,885			68,885
Unassigned	373,315			373,315
Fund Cash Balances, December 31	<u>\$442,200</u>	<u>\$30,277</u>	<u>\$27,051</u>	<u>\$499,528</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Public Library	\$572,644	\$90,831		\$663,475
Patron Fines and Fees	11,540			11,540
Contributions, Gifts and Donations	3,705			3,705
Earnings on Investments	1,947		\$82	2,029
Miscellaneous	87			87
Total Receipts	<u>589,923</u>	<u>90,831</u>	<u>82</u>	<u>680,836</u>
Disbursements:				
Current:				
Library Services	578,459			578,459
Capital Outlay			7,181	7,181
Debt Service:				
Principal Retirement		123,529		123,529
Interest and Fiscal Charges		17,302		17,302
Total Disbursements	<u>578,459</u>	<u>140,831</u>	<u>7,181</u>	<u>726,471</u>
Excess of Receipts Over (Under) Disbursements	<u>11,464</u>	<u>(50,000)</u>	<u>(7,099)</u>	<u>(45,635)</u>
Other Financing Sources (Uses):				
Transfers In		50,000	1,300	51,300
Transfers Out	(51,300)			(51,300)
Total Other Financing Sources (Uses)	<u>(51,300)</u>	<u>50,000</u>	<u>1,300</u>	
Net Change in Fund Balances	(39,836)		(5,799)	(45,635)
Fund Balances Beginning of Year	482,036	30,277	32,850	545,163
Fund Balances End of Year	<u>\$442,200</u>	<u>\$30,277</u>	<u>\$27,051</u>	<u>\$499,528</u>

See accompanying notes to the basic financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - 1000 GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Public Library	\$574,683	\$574,683	\$572,644	(\$2,039)
Patron Fines and Fees	9,000	9,000	11,540	2,540
Contributions, Gifts and Donations	2,000	4,351	3,705	(646)
Earnings on Investments	1,600	1,600	1,947	347
Miscellaneous	500	500	87	(413)
Total Receipts	<u>587,783</u>	<u>590,134</u>	<u>589,923</u>	<u>(211)</u>
Disbursements:				
Current:				
Library Services	588,494	592,394	587,344	5,050
Total Disbursements	<u>588,494</u>	<u>592,394</u>	<u>587,344</u>	<u>5,050</u>
Excess of Receipts Over (Under) Disbursements	<u>(711)</u>	<u>(2,260)</u>	<u>2,579</u>	<u>4,839</u>
Other Financing Sources (Uses):				
Transfers Out	(51,300)	(51,300)	(51,300)	
Other Financing Uses	(10,917)	(7,017)		7,017
Total Other Financing Sources (Uses)	<u>(62,217)</u>	<u>(58,317)</u>	<u>(51,300)</u>	<u>7,017</u>
Net Change in Fund Balance	(62,928)	(60,577)	(48,721)	11,856
Unencumbered Fund Balance Beginning of Year	479,107	479,107	479,107	
Prior Year Encumbrances Appropriated	2,928	2,928	2,928	
Unencumbered Balance End of Year	<u>\$419,107</u>	<u>\$421,458</u>	<u>\$433,314</u>	<u>\$11,856</u>

See accompanying notes to the basic financial statements.

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**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Germantown Public Library was organized as a school district public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Valley View 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 Valley View 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 Valley View 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 Valley View Board of Education.

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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to 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

The financial statements of the Germantown Public Library have been prepared on a modified cash basis of accounting. This modified 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.

A. 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.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the cash balances and investments of the Library. All of the library's activities are considered governmental, supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from the function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

The Statement of Assets and Fund Balances shows the level of activity in each of the Library's major funds.

The Library's funds are all classified as governmental.

B. 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. Funds may be governmental, proprietary or fiduciary.

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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 all financial resources except those required to be accounted for 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.

Debt Service Fund – The debt service fund accounts for monies set aside from the state tax (PLF) revenue to provide funds for the semi-annual payment on the anticipation note debt of the library.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. 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 Fiscal Officer. 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.

The Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – for the General Fund is presented on a budgetary basis to provide a meaningful comparison of actual results with the budget. The only difference between the budget basis and the modified cash basis is that in order to be compliant with Ohio law, encumbrances are recorded as the equivalent of an expenditure on the Budget basis as opposed to a reservation of fund balances for governmental funds (modified cash basis).

Encumbered appropriations do not lapse at year end, and are therefore not re-appropriated the following year. The adjustment necessary to convert the results of operations for the year ended December 31, 2013 on the modified cash basis to the budget basis is as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
General Fund**

Modified Cash Basis	(\$39,836)
Encumbrances	<u>(8,885)</u>
Budget Basis	<u>(\$48,721)</u>

E. 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."

The Library's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (contra-revenue), respectively.

During 2013, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio, these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013. The value of the Library's investments in STAR OHIO on December 31, 2013 was \$5,536.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2013 amounted to \$1,947.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations are imposed on their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The restricted assets of the Library represent gifts in which the principle is not to be spent, and the earnings are to be used for specific purposes.

In the government-wide financial statements, governmental activities report temporary and permanent restrictions on net assets for amounts that are restricted by outside parties for use for a specific purpose.

G. 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.

H. 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.

I. 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:

Non-spendable - The non-spendable 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.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Un-assigned - Un-assigned 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.

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

L. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

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 are available.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after non-operating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificated 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.

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 may 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;

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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 2 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the Library had demand and time deposits in three banks. Total deposits were \$149,609, \$89,266, and \$240,117 all of which is covered by federal depository insurance. The library also held certificates of deposit in the amount of \$15,000, which are classified as investments on the Statement of Net Position.

The balance of the Library's investments, \$5,536, was held in Star Ohio. STAR Ohio carries a rating of AAAM by Standard and Poor's.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. STAR Ohio is an unclassified investments since it is not evidenced by securities that exist in physical or book entry form.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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.

The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

4. INTER-FUND TRANSFERS

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations. During 2013, \$1,300 was transferred from the General Fund to the Capital Projects Fund in anticipation technology repairs and replacements, and \$50,000 was transferred to the Debt Service Fund for prepayment of the anticipation note held by First National Bank of Germantown.

5. 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 contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Auto-Owners Insurance	Commercial Property	\$3,769,300
	Personal Property	223,290
	Inventory/Collection	1,500,000
	Computer Equipment	40,000
Federal Insurance Co.	Errors and Omissions	2,000,000
Auto-Owners Insurance	Fidelity and Deposit	100,000

Settled claims have not exceeded 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. No worker's compensation claims were filed during 2013.

The Library is a reimbursing employee with the Ohio Department of Jobs and Family Services. No claims have been allowed during in the past five years. As of 12/31/13, if the Library were to close and layoff all employees, unemployment liability would be in excess of \$2,900 per week, or approximately \$76,000 for the 26 week period of unemployment benefits liability.

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2013, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2013 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011, were \$45,589, \$45,377, \$43,012, respectively.

7. DEBT

In September, 2007, the library issued a Library Fund Facilities Note (anticipation note) in the amount of \$725,000. This note was issued in accordance with ORC §3375.404. Repayment is to be made from General Fund revenue from Library and Local Government Fund monies derived from State of Ohio tax receipts. This note has a face value of \$725,000, 10 years to maturity, 4.5% per annum interest. The single note is held by First National Bank of Germantown, and requires semi-annual repayment of principal and interest.

During the calendar year 2012, the Board of Trustees voted to appropriate General Fund reserves to prepay the principal of the debt, and reduce the time to maturity of the note. In September, 2013, library reserves were used to prepay \$50,000 principal on the note, thereby reducing the loan maturity.

<u>Governmental Activities</u>	<u>Balance 12/31/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2013</u>	<u>Due Within One Year</u>
2007 Library Fund Facilities Note (\$725,000 at 4.5 percent)	\$402,663		\$123,529	\$279,134	\$79,151

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. DEBT (Continued)

2007 Library Fund Facilities Note		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$79,151	\$11,680
2015	82,752	8,078
2016	86,517	4,313
2017	30,714	691
Total	<u>\$279,134</u>	<u>\$24,762</u>

This assumes no future prepayment of principal, although the trustees will continue to appropriate funds for loan prepayment pending future funding.

8. LEASES

The library leases computer server services from COOL, (the Consortium of Ohio Libraries). The Library disbursed \$9,556 in 2013 to pay for this leased service. The following schedule is an estimate of future lease payments under this contract:

2014	\$9,000
2015	9,000
2016	9,000
2017	9,000
2018	9,000
Total	<u>\$45,000</u>

9. GRANTS-IN-AID AND TAX RECEIPTS

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.



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*

Germantown Public Library
Montgomery County
51 North Plum Street
Germantown, Ohio 45327

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown Public Library, Montgomery County, (the Library) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 4, 2015, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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

December 4, 2015

**GERMANTOWN PUBLIC LIBRARY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Governmental Accounting Standards Board (GASB) 34, par. 76 (as amended by GASB 37 par. 15), defines major funds as those with:

- A) Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total (assets + deferred outflows, liabilities + deferred inflows, etc.) for all funds of that category or type (i.e., total governmental or total enterprise), and
- B) The same element that met the 10% criterion in (A) is at least 5% of the corresponding element total for all governmental plus enterprise funds combined.
- C) The general fund is always a major fund.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The Library performed a major fund calculation which showed that the Debt Service fund should be major because total revenues and total disbursements met the 10% and 5% criteria mentioned above. However, the Library did not report this fund as major on its financial statements for the year ended December 31, 2013.

Failure to report all major funds results in material misstated financial statements. Inaccurate financial statements reduce the management's ability to monitor financial activity and make informed financial decisions.

The Library posted adjustments to the accompanying financial statements to report the Debt Service Fund as a major fund.

We recommend that the Library implement controls to ensure financial reporting in accordance with GASB 34.

Officials' Response:

We agree with Auditor's statements. Internal controls will be implemented to ensure compliance with GASB 34 regarding major fund classification.

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GERMANTOWN PUBLIC LIBRARY

MONTGOMERY 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
JANUARY 14, 2016