


# Library Notes Training

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DAVE YOST  
Ohio Auditor of State



## Notes to the Financial Statements for Libraries

Presented by: Local Government Services

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### Frequently Asked Questions

- Why do I have to prepare notes to the financial statements now?
- My auditors have always done this for me in the past; can they still prepare the notes for me?
- If I don't prepare notes for my entity, what is the penalty?
- My entity has a two-year audit, do I still need to prepare notes each year?
- My entity uses UAN, do I still need to prepare notes?

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### Getting Started

- Shells are available on the Auditor of State website as a word document.
- Contact the auditors who did your last audit; they may be able to send you their notes file to be used as a starting point.
- Look at prior audit reports on the Auditor of State website for your entity.
- We will go over each note and give tips on how to fill it in
- Remember to customize every note for your entity – if it doesn't apply to you, delete it out!

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## Note Shells

- Go to [www.ohioauditor.gov](http://www.ohioauditor.gov)
- Hover your mouse on Local Government at the top, then click Reference Materials
- On the left side, choose Financial Statement Shells and Footnotes

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## Note Shells - continued

- Choose OCBOA or Regulatory, then find your entity type
- Click on Notes and save the file on your computer in an easy to find place
- Consider naming the file with the year you're working on, so that you can go back to it in future years
- These shells are updated about once a year, so check back for updates and incorporate them into your file each year
- The OCBOA shells include the most common note disclosures

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## Note Shells - continued

- The shells have colors to help guide you
  - Yellow highlights are helpful guidance
  - Green highlights are generic information; modify to fit your entity
- The shells use CY for current year and PY for prior year
  - You can use "find and replace" to make them 16 and 15, or whatever year you are in
- The shells include a header that if modified on the first page, will carry your entity name, county, and year through all pages of the report

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## Ready to Dive Into Notes?




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## Note 1 – Reporting Entity

- Describe the services that your library provides
- Other organizations – We'll come back to this when we look at Notes 14 through 17

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## Note 2 - SSAP

- Most of this note is standard language that you will just leave as-is
- Fund types – delete those that don't apply; list significant funds under each type with a brief description
- Budgetary process – update certain sentences if you had no encumbrances at year-end; yellow highlights will guide you
- Deposits and investments – modify to fit your investments, if you have any (we will go into more detail on this in Note 5)

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### Note 3 - Compliance

- List any budgetary violations that the library had during the year, by fund
  - Expenditures plus encumbrances exceeded appropriations
  - Appropriations exceeded estimated resources plus carryover balance
- List any funds that had a deficit cash balance at year-end, if any
- Later on during your audit, the auditors may add other items here if they find non-compliance

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### Note 4 – Budgetary Activity

- Regulatory notes have charts – budgeted vs actual activity by fund type for both receipts and expenditures
  - OAC 117-8 does not require Libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. If your governing body uses a revenue/resource estimate to support appropriations, include it in the chart for comparison.
  - There is no requirement for the Library to match budgeted receipts with an estimated resources/amended certificate.
  - Actual amounts should match the financial statements

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### Note 4 – Budgetary Activity

- OCBOA notes have a chart that reconciles the difference between the cash balance of the general and major special revenue funds with the budget basis balance of those funds
  - There is a worksheet to help fill in this chart included in the handout

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### Note 5 – Deposits and Investments

- Regulatory notes have a chart that lists all the cash/investment accounts by type
  - All accounts of one type are added together, you don't have to list out each bank or account separately
- OCBOA notes describe the amount of deposits and what portion was uninsured by FDIC
- OCBOA notes provide more detail on investments, including information from the library's investment policy

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### Note 6 – Property Taxes

- Regulatory notes – if you don't have any public utility taxpayers, delete the 2<sup>nd</sup> paragraph
- OCBOA – you will need the full tax rate and assessed values; these can be obtained from your County Auditor

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### Note 7 – Interfund Transfers

- OCBOA – also describe transfers made during the year and their purpose; the shell includes a chart but if you only have one or two funds with transfers, you could just describe them in a sentence

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### Note 7 – Interfund Advances

- Regulatory – describe any material outstanding advance(s) not repaid at year end, including what the purpose of the advance was
- OCBOA – describe any outstanding advance(s) not repaid at year end and their purpose; the shell includes a chart but if you only have one or two funds with advances, you could just describe them in a sentence

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### Note 8 – Risk Management

- Regulatory – in the list of types of insurance, only include those that your library has
- If participating in a risk pool for insurance, use and update that section with the name of pool and what it covers
- If self insured for a type of insurance, use and update that section
- OCBOA – fill in chart with each type of insurance your library has, including amount of coverage and deductibles
- If participating in a group rating plan or self insured, use and update those paragraphs

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### Note 9 – Defined Benefit Pension Plans

- Include notes for Ohio Public Employees Retirement System and/or Ohio Police and Fire Pension Fund, and/or Social Security, depending on what your employees participate in
- Update the percentages for the current year
- OCBOA – include the amount of your library's contractually required contribution to OPERS and OPF in each note
  - There is a worksheet to help calculate this included in the handout

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### Note 10 – Postemployment Benefits

- Include notes for Ohio Public Employees Retirement System and/or Ohio Police and Fire Pension Fund, depending on what your employees participate in
- Update the percentages for the current year
- OCBOA – include the amounts contributed for health care for the current year and two prior years
  - There is a worksheet to help calculate this included in the handout

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### Note 11 - Debt

- Describe the various debt obligations your library has, including bonds, notes, loans, and leases
- Regulatory – in the first chart, include amount of each debt outstanding at 12/31/CY and the interest rate
- OCBOA – in the charts, include amount of each debt outstanding at 12/31/PY, new debts issued, amounts retired during the current year, and then the amount outstanding at 12/31/CY will calculate automatically
- Both – fill in the chart with principal and interest payments remaining to be made on each type of debt; first 5 years separately and then remaining in 5 year pieces

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### Note 12 – Construction and Contractual Commitments

- List any significant construction or other contractual commitments.
- Example – At December 31, 2016, the Library had \$81,145 in outstanding contractual commitments related to the construction of new fire station.
- OCBOA – List encumbrances, since those dollars are set aside for a particular use in the future.

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### Note 13 – Contingent Liabilities

- These are items that could impact the library's financial position in the future
- Examples:
  - Lawsuits the library is involved in
  - Grants subject to audit
- We suggest you ask the library's legal counsel to write a letter indicating if there are any legal issues that could impact the library's financial position

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### Notes 14 through 17

- All these notes relate to organizations that the library may be involved with
- Each organization will need to be analyzed to see if it fits the definition of one of the types in Notes 14 through 17
- The definition of each type is listed in the shell to help get you started
- Look at prior audit reports to see if anything was listed
- Also look at audit reports of other entities in your area – larger city, county, or school district reports may include some of these organizations that the library is involved with too

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### Note 18 – Related Party Transactions

- List any transactions that meet the definition listed in the shells; the opposite of an arm's length transaction
- There are a couple of examples in the shells but if you aren't sure if your situation applies, please consult with your legal counsel, call LGS, or ask your auditors

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## Note 19 – Fund Balances (OCBOA)

- This note is not required for regulatory filers and is not included in the regulatory shell on the Auditor of State website
- The chart should match to the total Nonspendable, Restricted, Committed, Assigned, and Unrestricted on your financial statements, the note just provides more detail
- There is a worksheet in the financial statement file (OCBOA) where fund balance will be summarized
- If you need more information on how to categorize fund balance, please see Auditor of State Bulletin 2011-004 (<https://ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>)
- The Bulletin includes a chart with many of the common library funds and how the fund balance should be classified.

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## Fund Balances

- Unclaimed Monies Fund is to be shown as nonspendable.
- Special Revenue Funds
  - Must be restricted or committed revenue source(s) as its foundation revenue
  - Assigned revenues, transfer-in, or other financing sources cannot be foundation to establish a special revenue fund.
- Debt Service and Capital Project Funds
  - These funds can have transfers as sole revenue source.
    - If Library Board identifies specific purpose by ordinance or resolution for the transfer, the fund balance is committed
    - If Library Board doesn't identify a specific purpose by ordinance or resolution, the fund balance is assigned.
- Permanent Funds
  - Donation where principal can't be spent – principal is nonspendable
  - Donation where earnings on principal can be spent – restricted.

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## Fund Balance Continued

- Encumbrances for General Fund type funds should be included in the restricted, committed, and assigned fund balance classifications.
  - Purchase order assigns the amount of the purchase order to a specific purpose and should be classified as assigned unless the purchase order relates to restricted or committed resources.
- Future appropriations
  - When appropriations in the next calendar year in General Fund type funds exceed the next calendar year estimated resources.
    - Year end 2017 - 2018 current year appropriations for General Fund are \$850,000 and estimated resources for 2018 are \$750,000.
      - ◆ Assigned Balance of \$100,000

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### Note 20 – Subsequent Events

- Significant financial event that happens after 12/31/CY
- Examples:
  - Issuance of debt
  - New levy or other major revenue
  - Major expenditures known after year-end

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### Note 22 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity (OCBOA)

- This note would be included if your library would change from reporting on a Regulatory Basis one year to reporting on an OCBOA Basis in the following year.

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### Note 23 and Beyond (OCBOA)

- Notes 23 and beyond in the OCBOA shell will not apply to many libraries, but please let us know if you would like to discuss them

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## Any Questions on Notes???




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## Hinkle System

- Everyone is required to use the Hinkle System to file their financial statements annually
- If you use UAN, filing will be part of the year end closing process
- For non-UAN users:
  - A link just for your entity will be emailed to the address our office has on file, and you must click that link to file
  - Financial data and certain demographic information is entered into the system
  - A full copy of your annual report, including required financial statements and notes, must be uploaded as one PDF file

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## Hinkle System

- Frequently Asked Questions on the Hinkle System can be found on the web at:  
<http://www.ohioauditor.gov/financialreporting/default.html>
- This same web page has "Quick Guides"; these documents give step by step instructions on how to use the Hinkle System, including screen shots for each step
- This same web page also has contact information to access your account or send in questions on the Hinkle System

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## Creating a PDF File

- Most common software to create PDF files is Adobe Acrobat
- There are other software programs that you can access for free on the following websites:
  - Small PDF - <https://smallpdf.com/merge-pdf>
  - PDF Forge - <http://www.pdfmerge.com/>
  - Office Converter - <http://www.office-converter.com/Convert-to-PDF>
  - PDF Merge - <http://www.pdfmerge.com/>

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## Creating a PDF File

- Each software may work slightly differently, but typically you will “print” to create a file; we will demonstrate this
- Once you have all pieces saved as PDFs, then you will need to combine them into one file for uploading. Again, your software may work differently, but we will demonstrate on Adobe Acrobat so that you get a general idea of how it works
- You could also print each page of your report, scan it in, and save as a PDF (if you have a copier or scanner with that option)

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## MD&A

- For libraries choosing to do OCBOA, the annual financial report will include financial statements, notes, and the Management’s Discussion & Analysis (MD&A)
- The MD&A is a document that goes at the front of the report and gives an overview of the library’s financial picture for the year
- It includes tables and narratives; the tables compare the CY to the PY and the narratives describe any significant changes from year to year

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## MD&A

- The MD&A is unaudited, but your auditors will still read it and offer suggestions or changes. This is to make sure that it doesn't contradict the financial statements or notes
- At the end, there is a current issues section; this should only include items that have an impact on the library's financial position and should be known facts; do not include things that may or may not happen

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## Local Government Services

88 East Broad Street  
Columbus, Ohio 43215

**Anna Mary Thomas and Rose Kodros**

Presenter Phone: (800) 345-2519

Presenter Fax: (614) 466-4490

Email: [contactus@ohioauditor.gov](mailto:contactus@ohioauditor.gov)

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**Ohio Auditor of State  
Dave Yost**

88 E. Broad St.  
Columbus, Ohio 43215  
Phone: (800) 282-0370  
Email: [ContactUs@OhioAuditor.gov](mailto:ContactUs@OhioAuditor.gov)  
[www.OhioAuditor.gov](http://www.OhioAuditor.gov)

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## Frequently Asked Questions

**Q:** When are local governments required to prepare notes to the financial statements?

**A:** Beginning with the year ending December 31, 2016, local governments must file a full annual financial report, including notes. The deadline for filing is 60 days from year-end for non-GAAP filers and 150 days from year-end for GAAP filers. See AOS Technical Bulletin 2015-007 for specific requirements for each type of entity.

**Q:** The auditors have always prepared notes in the past, are they still able to do so?

**A:** Auditors could still prepare the notes as a non-audit service; however, it is unlikely they will be able to do so by the deadline for most local governments. Therefore, the fiscal officer should prepare and file the annual financial report, including notes to the financial statements.

**Q:** What is the penalty for not filing notes to the financial statements by the deadline?

**A:** If notes are not included with the annual financial statements submitted via the Hinkle System, the annual financial report will be considered incomplete and could be subject to non-compliance citations and an unauditable declaration. The notes and financial statements can be refiled at the time of audit, however, they will be subject to the same as listed above.

**Q:** If a local government receives a basic audit or an agreed upon procedures (AUP) is there still a requirement to file notes to the financial statements?

**A:** Yes, although the basic audit report or AUP do not contain notes, local governments are still required to file a full annual financial report, including notes to the financial statements, as set forth in AOS Technical Bulletin 2015-007.

**Q:** If the local government has a two-year audit, is there still a requirement to file a report annually?

**A:** Yes, local governments are still required to file a full annual financial report, including notes to the financial statements, each year, as set forth in AOS Technical Bulletin 2015-007. The auditors will combine the two years into one audit report.

**Q:** If a local government uses the Uniform Accounting Network (UAN), is there still a requirement to file notes to the financial statements?

**A:** Yes, UAN entities will be able to meet the filing requirement through the year-end closing process. The fiscal officer should prepare notes to the financial statements prior to completing the year-end closing procedures. Further information will be given at UAN year-end training and in the year-end closing checklist.

**Q:** Does the Auditor of State have any resources that will help local governments prepare and file the annual financial report?

**A:** Yes, there are sample shells for both the financial statements and the notes on the AOS website, [www.ohioauditor.gov](http://www.ohioauditor.gov). From the home page, click Local Government, then choose Reference Materials. On the left side, choose Financial Statement Shells and Footnotes. For information on filing with the Hinkle System, from the home page, click Local Government, then choose Annual Financial Reporting.

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# Sample Library Regulatory Report

Financial Statements

Notes

| Happy Public Library  | Regulatory Financial Statements |          |          |             |
|---|---------------------------------|----------|----------|-------------|
| <i>Silly County</i>   |                                 |          |          |             |
| <i>Combined Statement of Receipts, Disbursements</i>        |                                 |          |          |             |
| <i>and Changes in Fund Balances (Regulatory Cash Basis)</i> |                                 |          |          |             |
| <i>All Governmental Fund Types</i>                          |                                 |          |          |             |
| <i>For the Year Ended December 31, 2015</i>                 |                                 |          |          |             |
|   |                                 |          |          |             |
| <b>To be submitted.</b>                                     |                                 |          |          | Totals      |
|   |                                 | Special  | Capital  | (Memorandum |
|   | General                         | Revenue  | Projects | Only)       |
| <b>Cash Receipts</b>  |                                 |          |          |             |
| Property and Other Local Taxes                              | \$278,502                       | \$0      | \$0      | \$278,502   |
| Public Library  | 921,250                         | 0        | 0        | 921,250     |
| Intergovernmental   | 0                               | 25,000   | 0        | 25,000      |
| Patron Fines and Fees                                       | 34,508                          | 0        | 0        | 34,508      |
| Contributions, Gifts and Donations                          | 10,232                          | 0        | 0        | 10,232      |
| Earnings on Investments                                     | 16,102                          | 0        | 0        | 16,102      |
| Miscellaneous   | 3,463                           | 0        | 0        | 3,463       |
|   |                                 |          |          |             |
| <i>Total Cash Receipts</i>                                  | 1,264,057                       | 25,000   | 0        | 1,289,057   |
|   |                                 |          |          |             |
| <b>Cash Disbursements</b>                                   |                                 |          |          |             |
| Current:  |                                 |          |          |             |
| Library Services:   |                                 |          |          |             |
| Public Services and Programs                                | 1,059,823                       | 25,000   | 0        | 1,084,823   |
| Collection Development and Processing                       | 24,283                          | 0        | 0        | 24,283      |
| Debt Service:   |                                 |          |          |             |
| Principal   | 24,577                          | 0        | 0        | 24,577      |
| Interest  | 3,914                           | 0        | 0        | 3,914       |
| Capital Outlay  | 13,535                          | 0        | 0        | 13,535      |
|   |                                 |          |          |             |
| <i>Total Cash Disbursements</i>                             | 1,126,132                       | 25,000   | 0        | 1,151,132   |
|   |                                 |          |          |             |
| <i>Net Change in Fund Cash Balances</i>                     | 137,925                         | 0        | 0        | 137,925     |
|   |                                 |          |          |             |
| <i>Fund Cash Balances, January 1</i>                        | 3,006,861                       | 78,913   | 57,528   | 3,143,302   |
|   |                                 |          |          |             |
| <b>Fund Cash Balances, December 31</b>                      |                                 |          |          |             |
| Nonspendable  | 0                               | 0        | 0        | 0           |
| Restricted  | 0                               | 78,913   | 57,528   | 136,441     |
| Committed   | 0                               | 0        | 0        | 0           |
| Assigned  | 0                               | 0        | 0        | 0           |
| Unassigned (Deficit)  | 3,144,786                       | 0        | 0        | 3,144,786   |
|   |                                 |          |          |             |
| <i>Fund Cash Balances, December 31</i>                      | \$3,144,786                     | \$78,913 | \$57,528 | \$3,281,227 |
|   |                                 |          |          |             |

|   |             |  |          |             |
|---|-------------|--|----------|-------------|
| <b>Happy Public Library</b>                                 |             | <b>Regulatory Financial Statements</b> |          |             |
| <i>Silly County</i>   |             |  |          |             |
| <i>Combined Statement of Receipts, Disbursements</i>        |             |  |          |             |
| <i>and Changes in Fund Balances (Regulatory Cash Basis)</i> |             |  |          |             |
| <i>All Governmental Fund Types</i>                          |             |  |          |             |
| <i>For the Year Ended December 31, 2015</i>                 |             |  |          |             |
|   |             |  |          |             |
| <b>To be submitted.</b>                                     |             |  |          | Totals      |
|   |             | Special                                | Capital  | (Memorandum |
|   | General     | Revenue                                | Projects | Only)       |
| *****   |             |  |          |             |
| ***Fund Balance Classification Worksheet***                 |             |  |          |             |
| *****   |             |  |          |             |
|   |             |  |          |             |
| <i>Net Change in Fund Cash Balances</i>                     | \$137,925   | \$0                                    | \$0      | \$137,925   |
| <i>Fund Cash Balances, January 1</i>                        | 3,006,861   | 78,913                                 | 57,528   | 3,143,302   |
| <i>Fund Cash Balances, December 31</i>                      | \$3,144,786 | \$78,913                               | \$57,528 | \$3,281,227 |
| <b>Fund Balances</b>  |             |  |          |             |
| Amounts identified as:                                      |             |  |          |             |
| Nonspendable:   |             |  |          |             |
| Unclaimed Monies  | \$0         | \$0                                    | \$0      | \$0         |
| Total Nonspendable  | 0           | 0                                      | 0        | 0           |
| Restricted for:   |             |  |          |             |
| Library Programs  | 0           | 78,913                                 | 0        | 78,913      |
| Buildings and Repairs                                       | 0           | 0                                      | 57,528   | 57,528      |
| Total Restricted  | 0           | 78,913                                 | 57,528   | 136,441     |
| Committed to:   |             |  |          |             |
| Total Committed   | 0           | 0                                      | 0        | 0           |
| Assigned to:  |             |  |          |             |
| Total Assigned  | 0           | 0                                      | 0        | 0           |
| Unassigned  | 3,144,786   | 0                                      | 0        | 3,144,786   |
| <i>Total Fund Cash Balances, December 31</i>                | \$3,144,786 | \$78,913                               | \$57,528 | \$3,281,227 |

The above Fund Balance Classification Worksheet (Worksheet) is not required to be submitted; however, it is to be completed and retained for audit. Although not required, this Worksheet can be submitted at the fiscal officer's discretion.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Happy Library (the Library), Silly County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Silly County Board of County Commissioners appoints a 7 member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

**Note 2 - Summary of Significant Accounting Policies*****Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

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

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Fund:

***Children's Program Grant Fund*** The children's program grant fund accounts for and reports grant monies restricted for children's programming functions within the Library.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

***Fund Balance***

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

***Nonspendable*** The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *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 Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Board or a Library official delegated that authority by resolution, or by State Statute.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

### Note 3 – Compliance

(Happy Library did not have any compliance issues, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

### Note 4 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

See pages 60 to 63

| 2015 Budgeted vs. Actual Receipts |                      |                    |                  |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance         |
| General                           | \$1,137,875          | \$1,264,057        | \$126,182        |
| Special Revenue                   | 25,000               | 25,000             | 0                |
| Total                             | <u>\$1,162,875</u>   | <u>\$1,289,057</u> | <u>\$126,182</u> |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                  |
|---|----------------------------|---------------------------|------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
| General   | \$1,351,630                | \$1,126,132               | \$225,498        |
| Special Revenue                                       | 94,743                     | 25,000                    | 69,743           |
| Capital Projects                                      | 57,528                     | 0                         | 57,528           |
| Total   | <u>\$1,503,901</u>         | <u>\$1,151,132</u>        | <u>\$352,769</u> |

### Note 5 – Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:



**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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|                 |                    |
|-----------------|--------------------|
|                 | 2015               |
| Demand deposits | <u>\$3,281,227</u> |

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See page 64

***Deposits*** are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

## **Note 6 – Grants in Aid and Taxes**

### ***Grants in Aid***

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

### ***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 7 – Interfund Balances**

(Happy Library did not have any material outstanding advance(s) not repaid by the end of the year, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 8 - Risk Management**

***Commercial Insurance***

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles

The Library is uninsured for the following risks:

- Errors and omissions.

**Note 9 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2015.

**Note 10 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 11 – Debt**

Debt outstanding at December 31, 2015 was as follows:

|                          | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| General Obligation Notes | <u>\$129,653</u> | <u>3%</u>            |

During 2012, the Library entered into a loan agreement with PNC Bank for a \$200,000 loan to purchase property. The loan was issued at a 3% interest rate, with final maturity on December 31, 2020.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending<br>December 31: | General<br>Obligation<br>Notes |
|-----------------------------|--------------------------------|
| 2016                        | \$28,491                       |
| 2017                        | 28,491                         |
| 2018                        | 28,492                         |
| 2019                        | 28,492                         |
| 2020                        | 27,662                         |
| Total                       | <u>\$141,628</u>               |

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**Note 12 – Construction and Contractual Commitments**

(Happy Library did not have significant outstanding construction or other contractual commitments, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 13 – Contingent Liabilities**

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 14 – Joint Ventures**

(Happy Library did not have any joint ventures, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Happy Public Library, Ohio**  
*Silly County*  
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*For the Year Ended December 31, 2015*

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**Note 15 – Jointly Governed Organizations**

(Happy Library did not have any jointly governed organizations, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 16 – Public Entity Risk Pool**

(Happy Library did not have any public entity risk pools, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 17 – Related Organizations**

(Happy Library did not have any related organizations, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 18 – Related Party Transactions**

(Happy Library did not have any related party transactions, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 19 – Fund Balances**

(This note is not required for regulatory filers and is not included in the regulatory shell on the Auditor of State website. We have left it here as a placeholder, so that the remaining note numbers match to the handout.)

**Note 20 – Subsequent Events**

(Happy Library did not have any subsequent events, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

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# Sample Library OCBOA Report

MD&A

Financial Statements

Notes

HAPPY PUBLIC LIBRARY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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This discussion and analysis of Happy Public Library's financial performance provides an overall review of the Happy Public Library's (the Library) financial activities for the year ended December 31, 2015 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.

### **Financial Highlights**

Key highlights for 2015 are as follows:

- The Library received \$99,957 in additional monies from the Public Library Fund during 2015.
- Disbursements held consistent when comparing 2015 with 2014.

### **Using the Basic Financial Statements**

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

### **Report Components**

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

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

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

### **Basis of Accounting**

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

HAPPY PUBLIC LIBRARY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other 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 local revenue sources such as property taxes and contributions.

In the statement of net position and the statement of activities, we divide the Government into one type of activity:

**Governmental Activities.** Most of the Library's basic services are reported here, including patron fines and fees. The Public Library Fund finances most of these activities.

**Reporting the Government's Most Significant Funds**

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

Governmental Funds – the Library's activities are reported in governmental funds. The Library's fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Library fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The 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 Library's only major



HAPPY PUBLIC LIBRARY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Government's net assets for 2015 compared to 2014 on a cash basis:

|                           |                    |                    |                  |
|---------------------------|--------------------|--------------------|------------------|
| Table 1<br>Net Position   |                    |                    |                  |
| Governmental Activities   |                    |                    |                  |
|                           | <u>2015</u>        | <u>2014</u>        | <u>Change</u>    |
| <b>Assets</b>             |                    |                    |                  |
| Cash and Cash Equivalents | <u>\$3,281,227</u> | <u>\$3,143,302</u> | <u>\$137,925</u> |
| <br><b>Net Position</b>   |                    |                    |                  |
| Restricted for:           |                    |                    |                  |
| Capital Projects          | 57,528             | 57,528             | 0                |
| Other Purposes            | 78,913             | 78,913             | 0                |
| Unrestricted              | <u>3,144,786</u>   | <u>3,006,861</u>   | <u>137,925</u>   |
| <br>Total Net Position    | <u>\$3,281,227</u> | <u>\$3,143,302</u> | <u>\$137,925</u> |

See page 33

The Net Position of governmental activities increased by \$137,925 during 2015. The primary reason contributing to the increase in cash balances is the Library received additional monies from the Public Library Fund compared to 2014.

Table 2 reflects the changes in net position on a cash basis for 2015 and 2014 for governmental activities.

HAPPY PUBLIC LIBRARY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

(Table 2)  
**Changes in Net Position**

See page 34

|  | Governmental<br>Activities |                           |                         |
|--|----------------------------|---------------------------|-------------------------|
|  | 2015                       | 2014                      | Change                  |
| <b>Receipts:</b>   |                            |                           |                         |
| <b>Program Receipts:</b>                                       |                            |                           |                         |
| Charges for Services and Sales                                 | \$34,508                   | \$39,931                  | (\$5,423)               |
| Operating Grants and Contributions                             | 25,000                     | 9,052                     | 15,948                  |
| Capital Grants and Contributions                               | 0                          | 0                         | 0                       |
| <i>Total Program Receipts</i>                                  | <u>59,508</u>              | <u>48,983</u>             | <u>10,525</u>           |
| <b>General Receipts:</b>                                       |                            |                           |                         |
| Property and Other Local Taxes                                 | 278,502                    | 178,546                   | 99,956                  |
| Public Library Fund  | 921,250                    | 901,250                   | 20,000                  |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 0                          | 0                         | 0                       |
| Unrestricted Gifts and Contributions                           | 10,232                     | 0                         | 10,232                  |
| Earnings on Investments  | 16,102                     | 15,818                    | 284                     |
| Miscellaneous  | 3,463                      | 4,803                     | (1,340)                 |
| <i>Total General Receipts</i>                                  | <u>1,229,549</u>           | <u>1,100,417</u>          | <u>129,132</u>          |
| <i>Total Receipts</i>  | <u>1,289,057</u>           | <u>1,149,400</u>          | <u>139,657</u>          |
| <b>Disbursements:</b>  |                            |                           |                         |
| Library Services   |                            |                           |                         |
| Public Services and Programs                                   | 1,084,823                  | 1,091,373                 | (6,550)                 |
| Collection Development and Processing                          | 24,283                     | 0                         | 24,283                  |
| Debt Service:  |                            |                           |                         |
| Principal  | 24,577                     | 23,861                    | 716                     |
| Interest   | 3,914                      | 4,630                     | (716)                   |
| Capital Outlay   | 13,535                     | 35,721                    | (22,186)                |
| <i>Total Disbursements</i>                                     | <u>1,151,132</u>           | <u>1,155,585</u>          | <u>(4,453)</u>          |
| <br><i>Change in Net Position</i>                              | <br>137,925                | <br>(6,185)               | <br>144,110             |
| <br><i>Net Position, Beginning of Year</i>                     | <br><u>3,143,302</u>       | <br><u>3,149,487</u>      | <br><u>(6,185)</u>      |
| <i>Net Position, End of Year</i>                               | <u><u>\$3,281,227</u></u>  | <u><u>\$3,143,302</u></u> | <u><u>\$137,925</u></u> |

General Receipts increased mainly due to an increase in monies received from the Public Library Fund.

HAPPY PUBLIC LIBRARY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**The Library's Funds**

See page 36

In 2015, the Library funds had total receipts of \$1,289,058 and disbursements of \$1,151,133. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$137,925 during 2015 to an increase in monies received from the Public Library Fund compared to 2014.

**General Fund Budgeting Highlights**

See page 37

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

During 2015 the Library amended its General Fund budget as necessary. Final budgeted receipts were slightly above original budgeted receipts. The Library budgeted and received \$921,250 from the Public Library Fund. Overall, our receipts were \$126,182 above the final estimates.

Original budgeted disbursements were less than final budgeted disbursements. Final disbursements for the General Fund were budgeted at \$1,351,630 while actual disbursements were \$1,126,132. The Library kept spending as close to the budgeted amounts as was possible and in many areas, spending was below budgeted amounts.

**Debt Administration**

At December 31, 2015, the Library had \$129,653 in General Obligation Notes outstanding, of which \$24,577 is due within one year. Table 3 summarizes the debt outstanding:

Table 3  
Outstanding Debt at Year-End

|                   | <u>2015</u>      | <u>2014</u>      |
|-------------------|------------------|------------------|
| Purchase Property | <u>\$129,653</u> | <u>\$154,230</u> |

See page 50

For more information regarding the Library's debt, see Note 11 of the Basic Financial Statements.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Fairy Godmother, Fiscal Officer, Happy Public Library, 100 Pixie Dust Lane, Happy, Ohio 55555.

**Happy Public Library**  
**Silly County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2015*

|                           | Governmental<br>Activities |
|---------------------------|----------------------------|
| <b>Assets</b>             |                            |
| Cash and Cash Equivalents | \$3,281,227                |
| <i>Total Assets</i>       | <u><u>\$3,281,227</u></u>  |
| <b>Net Position</b>       |                            |
| Restricted for:           |                            |
| Capital Projects          | \$57,528                   |
| Other Purposes            | 78,913                     |
| Unrestricted              | <u>3,144,786</u>           |
| <i>Total Net Position</i> | <u><u>\$3,281,227</u></u>  |

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2015*

|                                       |                       | Program Cash Receipts                |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Position |
|---------------------------------------|-----------------------|--------------------------------------|--|--|
|                                       | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                     |
| <b>Governmental Activities</b>        |                       |                                      |  |  |
| Current:                              |                       |                                      |  |  |
| Library Services:                     |                       |                                      |  |  |
| Public Services and Programs          | \$1,084,823           | \$34,508                             | \$25,000                                 | (\$1,025,315)  |
| Collection Development and Processing | 24,283                | 0                                    | 0  | (24,283)   |
| Debt Service:                         |                       |                                      |  |  |
| Principal                             | 24,577                | 0                                    | 0  | (24,577)   |
| Interest                              | 3,914                 | 0                                    | 0  | (3,914)  |
| Capital Outlay                        | 13,535                | 0                                    | 0  | (13,535)   |
| <i>Total Governmental Activities</i>  | <u>\$1,151,132</u>    | <u>\$34,508</u>                      | <u>\$25,000</u>                          | <u>(1,091,624)</u>   |
| General Receipts:                     |                       |                                      |  |  |
|                                       |                       |                                      |  | 278,502  |
|                                       |                       |                                      |  | 921,250  |
|                                       |                       |                                      |  | 10,232   |
|                                       |                       |                                      |  | 16,102   |
|                                       |                       |                                      |  | <u>3,463</u>   |
| <i>Total General Receipts</i>         |                       |                                      |  | <u>1,229,549</u>   |
| Change in Net Position                |                       |                                      |  | 137,925  |
| <i>Net Position Beginning of Year</i> |                       |                                      |  | <u>3,143,302</u>   |
| <i>Net Position End of Year</i>       |                       |                                      |  | <u>\$3,281,227</u>   |

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2015*

|  | General            | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$3,144,786        | \$136,441                      | \$3,281,227                    |
| <i>Total Assets</i>                        | <u>\$3,144,786</u> | <u>\$136,441</u>               | <u>\$3,281,227</u>             |
| <b>Fund Balances</b>                       |                    |                                |                                |
| Nonspendable                               | \$0                | \$0                            | \$0                            |
| Restricted                                 | 0                  | 136,441                        | 136,441                        |
| Committed                                  | 0                  | 0                              | 0                              |
| Assigned                                   | 0                  | 0                              | 0                              |
| Unassigned                                 | <u>3,144,786</u>   | <u>0</u>                       | <u>3,144,786</u>               |
| <i>Total Fund Balances</i>                 | <u>\$3,144,786</u> | <u>\$136,441</u>               | <u>\$3,281,227</u>             |

See accompanying notes to the basic financial statements

**Happy Public Library  
Silly County**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2015*

|  | General                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                        |                           |                                |                                |
| Property and Other Local Taxes         | \$278,502                 | \$0                            | \$278,502                      |
| Public Library                         | 921,250                   | 0                              | 921,250                        |
| Intergovernmental                      | 0                         | 25,000                         | 25,000                         |
| Patron Fines and Fees                  | 34,508                    | 0                              | 34,508                         |
| Contributions, Gifts and Donations     | 10,232                    | 0                              | 10,232                         |
| Earnings on Investments                | 16,102                    | 0                              | 16,102                         |
| Miscellaneous                          | 3,463                     | 0                              | 3,463                          |
| <i>Total Receipts</i>                  | <u>1,264,057</u>          | <u>25,000</u>                  | <u>1,289,057</u>               |
| <b>Disbursements</b>                   |                           |                                |                                |
| Current:                               |                           |                                |                                |
| Library Services                       |                           |                                |                                |
| Public Services and Programs           | 1,059,823                 | 25,000                         | 1,084,823                      |
| Collection Development and Processing  | 24,283                    | 0                              | 24,283                         |
| Debt Service:                          |                           |                                |                                |
| Principal                              | 24,577                    | 0                              | 24,577                         |
| Interest                               | 3,914                     | 0                              | 3,914                          |
| Capital Outlay                         | 13,535                    | 0                              | 13,535                         |
| <i>Total Disbursements</i>             | <u>1,126,132</u>          | <u>25,000</u>                  | <u>1,151,132</u>               |
| <i>Net Change in Fund Balances</i>     | 137,925                   | 0                              | 137,925                        |
| <i>Fund Balances Beginning of Year</i> | <u>3,006,861</u>          | <u>136,441</u>                 | <u>3,143,302</u>               |
| <i>Fund Balances End of Year</i>       | <u><u>\$3,144,786</u></u> | <u><u>\$136,441</u></u>        | <u><u>\$3,281,227</u></u>      |

See accompanying notes to the basic financial statements

**Happy Public Library**  
**Silly County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2015*

|                                       | Budgeted Amounts          |                           |                           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---|
|                                       | Original                  | Final                     | Actual                    |   |
| <b>Receipts</b>                       |                           |                           |                           |   |
| Property and Other Local Taxes        | \$150,025                 | 150,025                   | 278,502                   | \$128,477   |
| Public Library                        | 915,000                   | 921,250                   | 921,250                   | 0   |
| Patron Fines and Fees                 | 35,000                    | 45,000                    | 34,508                    | (10,492)  |
| Contributions, Gifts and Donations    | 5,000                     | 5,000                     | 10,232                    | 5,232   |
| Earnings on Investments               | 10,000                    | 15,600                    | 16,102                    | 502   |
| Miscellaneous                         | 0                         | 1,000                     | 3,463                     | 2,463   |
| <i>Total Receipts</i>                 | <u>1,115,025</u>          | <u>1,137,875</u>          | <u>1,264,057</u>          | <u>126,182</u>  |
| <b>Disbursements</b>                  |                           |                           |                           |   |
| Current:                              |                           |                           |                           |   |
| Library Services                      |                           |                           |                           |   |
| Public Services and Programs          | 1,170,418                 | 1,264,048                 | 1,059,823                 | 204,225   |
| Collection Development and Processing | 26,091                    | 26,091                    | 24,283                    | 1,808   |
| Debt Service:                         |                           |                           |                           |   |
| Principal                             | 24,577                    | 24,577                    | 24,577                    | 0   |
| Interest                              | 3,914                     | 3,914                     | 3,914                     | 0   |
| Capital Outlay                        | 25,000                    | 33,000                    | 13,535                    | 19,465  |
| <i>Total Disbursements</i>            | <u>1,250,000</u>          | <u>1,351,630</u>          | <u>1,126,132</u>          | <u>225,498</u>  |
| <i>Net Change in Fund Balance</i>     | <u>(134,975)</u>          | <u>(213,755)</u>          | <u>137,925</u>            | <u>351,680</u>  |
| <i>Fund Balance Beginning of Year</i> | <u>3,006,861</u>          | <u>3,006,861</u>          | <u>3,006,861</u>          | <u>0</u>  |
| <i>Fund Balance End of Year</i>       | <u><u>\$2,871,886</u></u> | <u><u>\$2,793,106</u></u> | <u><u>\$3,144,786</u></u> | <u><u>\$351,680</u></u>                                 |

See accompanying notes to the basic financial statements



**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Happy Public Library (the Library) was organized as a district public library under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees who are appointed either by the Silly County Commissioners, or in some instances, the Judge of Common Pleas Court of Silly County. 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 that of the Fiscal Officer.

The Library is fiscally independent of the Board, although the Board 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.

The Friends of the Happy Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Further, this organization is not accumulating large resources for the benefit of the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

The Library's basic financial statements consist of government-wide financial 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.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Library that are governmental in nature. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented in one category: governmental.

***Governmental Funds*** Governmental funds are those through which most governmental functions of the Library are financed. The following are the Library's major governmental funds:

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

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

***Basis of Accounting***

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

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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As a result of the use of this 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.

***Budgetary Process***

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

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

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

***Cash and Investments***

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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.

The Library had no investments as of year end.

Interest earnings are allocated to Library funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2015 was \$16,102, which includes \$670 assigned from other Library funds.

↑  
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**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Restricted Assets***

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

***Inventory and Prepaid Items***

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

***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.

***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 cash basis of accounting.

***Employer Contributions to Cost-Sharing Pension Plans***

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street and state highway improvements and federal and state grants restricted to cash disbursements for specified purposes.

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

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***Fund Balance***

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

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) 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 Board of Trustees or a Library official delegated that authority by resolution or by State Statute. State Statute authorizes the Library Clerk Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

***Internal Activity***

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 nonoperating 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.

**Note 3 – Accountability and Compliance**

(Happy Public Library did not have any accountability or compliance issues, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and street maintenance and street levy special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are as follows:

1. Budgetary receipts and disbursements of the park fund is reclassified to the general fund for cash basis reporting.
2. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

|              | General          |
|--------------|------------------|
| Cash Basis   | \$137,925        |
| Encumbrances | 0                |
| Budget Basis | <u>\$137,925</u> |

See pages 36 and 37

**Happy Public Library, Ohio**  
*Silly County*  
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*For the Year Ended December 31, 2015*

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**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and



**Happy Public Library, Ohio**  
*Silly County*  
*Notes to the Basic Financial Statements*  
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8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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 City, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### ***Deposits***

See page 64

See page 66

Custodial credit risk is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,042,644 of the Library's bank balance of \$3,292,644 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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.

## **Note 6 – Grants in Aid and Taxes**

### ***Grants in Aid***

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



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*Silly County*  
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*For the Year Ended December 31, 2015*

2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2015, was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2015 property tax receipts were based are as follows:

|                                  |                             |
|----------------------------------|-----------------------------|
| Real Property                    | \$276,851,460               |
| Public Utility Personal Property | <u>2,758,540</u>            |
| Total                            | <u><u>\$279,610,000</u></u> |

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

**Note 7 – Interfund Transfers**

Happy Public Library did not have any interfund transfers, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 8 - 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 2015, the Library contracted with several companies for various types of insurance as follows:

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*For the Year Ended December 31, 2015*

| Type of Coverage                | Coverage     |
|---------------------------------|--------------|
| Scottsdale Indemnity Company    |              |
| Commercial Property             | \$15,106,474 |
| General Liability:              |              |
| Aggregate                       | 2,000,000    |
| Each Occurance                  | 1,000,000    |
| Employment Practices:           |              |
| Aggregate                       | 2,000,000    |
| Each Occurance                  | 1,000,000    |
| Public Officials Liability:     |              |
| Aggregate                       | 2,000,000    |
| Each Occurance                  | 1,000,000    |
| Law Enforcement Liability:      |              |
| Aggregate                       | 2,000,000    |
| Each Occurance                  | 1,000,000    |
| Commercial Automobile Liability | 1,000,000    |

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

## **Note 9 - Defined Benefit Pension Plans**

### ***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - Library employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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| <b>Group A</b><br>Eligible to retire prior to<br>January 7, 2013 or five years<br>after January 7, 2013                               | <b>Group B</b><br>20 years of service credit prior to<br>January 7, 2013 or eligible to retire<br>ten years after January 7, 2013     | <b>Group C</b><br>Members not in other Groups<br>and members hired on or after<br>January 7, 2013                                     |
|---|---|---|
| <b>State and Local</b>  | <b>State and Local</b>  | <b>State and Local</b>  |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit<br>or Age 62 with 5 years of service credit            |
| <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 35 years and 2.5%<br>for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| <b>2015 Statutory Maximum Contribution Rates</b> | <b>State<br/>and Local</b> |
|--|----------------------------|
| Employer   | 14.0 %                     |
| Employee   | 10.0 %                     |
| <b>2015 Actual Contribution Rates</b>            |                            |
| Employer:  |                            |
| Pension  | 12.0 %                     |
| Post-employment Health Care Benefits             | 2.0                        |
| Total Employer                                   | 14.0 %                     |
| Employee   | 10.0 %                     |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

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The Library's contractually required contribution was \$70,287 for year 2015.

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**Note 10 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is

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also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014, and 2013 was \$11,714, \$11,600, and \$5,800, respectively. The full amount has been contributed for all years.

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**Note 11 – Long Term Obligations**

| <u>Debt Issue</u>              | <u>Interest Rate</u> | <u>Original Issue Amount</u> | <u>Date of Maturity</u> |
|--------------------------------|----------------------|------------------------------|-------------------------|
| <b>Governmental Activities</b> |                      |                              |                         |
| General Obligation Notes       | 3.00 %               | \$200,000                    | January 1, 2020         |

The changes in the Library's debt obligations during 2015 were as follows:

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| <u>Types / Issues</u>           | <u>Balance 12/31/14</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance 12/31/15</u> | <u>Due Within One Year</u> |
|---------------------------------|-------------------------|---------------|----------------|-------------------------|----------------------------|
| <u>Governmental Activities:</u> |                         |               |                |                         |                            |
| <u>General Obligation Notes</u> |                         |               |                |                         |                            |
| PNC Bank Loan - 3%              | \$154,230               | \$0           | \$24,577       | \$129,653               | \$24,577                   |

During 2012, the Library entered into a loan agreement with PNC Bank for a \$200,000 loan to purchase property. The loan as issued at a 3% interest rate, with final maturity on December 31, 2020.

The following is a summary of the Library's future annual debt service requirements:

| <u>Year Ending December 31,</u> | <u>General Obligation Notes</u> |                 |
|---------------------------------|---------------------------------|-----------------|
|                                 | <u>Principal</u>                | <u>Interest</u> |
| 2016                            | \$24,577                        | \$3,914         |
| 2017                            | 25,314                          | 3,177           |
| 2018                            | 26,074                          | 2,418           |
| 2019                            | 26,856                          | 1,636           |
| 2020                            | 26,832                          | 830             |
| 2021                            | 0                               | 0               |
| Total                           | \$129,653                       | \$11,975        |

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**Note 12 – Construction and Contractual Commitments**

(Happy Public Library did not have any outstanding encumbrances or construction commitments, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 13 – Contingent Liabilities**

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 14 – Joint Ventures**

(Happy Public Library did not have any joint ventures, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 15 – Jointly Governed Organizations**

(Happy Public Library did not have any jointly governed organizations, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 16 – Public Entity Risk Pool**

(Happy Public Library did not have any public entity risk pools, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 17 – Related Organizations**

(Happy Public Library did not have any related organizations, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

**Note 18 – Related Party Transactions**

(Happy Public Library did not have any related party transactions, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

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### Note 19 – Fund Balances

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

| Fund Balances              | General Fund              | Other<br>Governmental<br>Funds | Total                     |
|----------------------------|---------------------------|--------------------------------|---------------------------|
| <b>Restricted for</b>      |                           |                                |                           |
| Technology                 | \$0                       | \$69,743                       | \$69,743                  |
| Childrens Programs         | 0                         | 9,170                          | 9,170                     |
| Building and Repair        | 0                         | 57,528                         | 57,528                    |
| <i>Total Restricted</i>    | <u>0</u>                  | <u>136,441</u>                 | <u>136,441</u>            |
| Unassigned                 | 3,144,786                 | 0                              | 3,144,786                 |
| <i>Total Fund Balances</i> | <u><u>\$3,144,786</u></u> | <u><u>\$136,441</u></u>        | <u><u>\$3,281,227</u></u> |

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and 60

### Note 20 – Subsequent Events

(Happy Public Library did not have any subsequent events, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

### Note 21 – Change in Basis of Accounting and Restatement of Net Position/Fund Equity

(Happy Public Library did not have a change in basis of accounting and restatement of net position/fund equity, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

### Note 22 – Capital Assets

(Happy Public Library did not report capital assets, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it and renumber the rest of your notes.)

### Note 23 – Component Units

(Happy Public Library did not have any component units, so this note was not needed. We have left it here as a placeholder, so that the remaining note numbers match to the handout. In the real world, you would delete it.)