



Mary Taylor, CPA
Auditor of State

ST PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

St Paris Public Library
Champaign County
P. O. Box 740
St. Paris, Ohio 43072

To the Library Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St Paris Public Library, Champaign County, (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St Paris Public Library, Champaign County, as of December 31, 2007 and 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 24, 2008

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED**

This discussion and analysis of the St. Paris Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2007 and 2006 are as follows:

- Net assets of governmental activities decreased \$15,912 or 4.3 percent during 2007 and \$30,438 or 7.6 percent during 2006. The fund most affected by the decrease in cash and cash equivalents was the General Fund which realized the greatest burden of increased costs during 2007 and 2006.
- The Library's general receipts are primarily Library & Local Government Support. These receipts represent 87.9 and 90.6 percent of the total cash received for governmental activities during 2007 and 2006 respectively.
- The Library's LLGSF has been frozen at 2002 levels while personnel costs continue to increase causing a drain on the library's cash reserves.
- On behalf of the library, the Graham Local School Board of Education placed a one-half mill operating levy on the ballot for the November 2007 and the March 2008 elections. The levy failed both times, however, the levy will be on the ballot again for the November 2008 general election.

Using the Basic Financial Statements

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

Report Components

The statement of net assets 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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

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 the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments 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 (such as patron overdue fines and copier charges) 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 modified cash basis of accounting, the reader 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.

In the statement of net assets and the statement of activities, all of the Library's activities are presented as library services.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its 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 governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library'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 major governmental funds are the General, Building Repair, Capital Improvement, Contingency, and Richard Barger Bequest.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 and 2005 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$350,637	\$366,549	\$396,987
Investments	2,300	2,300	2,300
Total Assets	<u>352,937</u>	<u>368,849</u>	<u>399,287</u>
Net Assets			
Restricted for:			
Capital Projects	208,447	208,848	209,848
Permanent:			
Expendable	4,001		
Non-Expendable	64,486	64,486	64,486
Unrestricted	76,003	95,515	124,953
Total Net Assets	<u>\$352,937</u>	<u>\$368,849</u>	<u>\$399,287</u>

As mentioned previously, the Library's net assets decreased \$21,360, \$30,438 and \$15,912 during 2005, 2006, and 2007 respectively, primarily due to the fact that Local Government Support has been frozen at 2002 levels and costs have continued to climb. However, during 2007, the decrease in net assets has slowed due to cost controls implemented in the budget process.

Table 2 reflects the changes in net assets on a modified cash basis in 2007, 2006 and 2005 for governmental activities.

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

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Patron Fines & Fees	\$ 13,479	\$ 15,263	\$ 15,233
Operating Grants and Contributions	6,633	5,202	574
Total Program Receipts	<u>20,112</u>	<u>20,465</u>	<u>15,807</u>
General Receipts:			
Grants and Entitlements Not Restricted to Specific Programs	313,522	312,368	313,076
Interest	17,853	11,321	7,737
Miscellaneous	3,159		1,487
Total General Receipts	<u>334,534</u>	<u>323,689</u>	<u>322,300</u>
Total Receipts	<u>354,646</u>	<u>344,154</u>	<u>338,107</u>

(Continued)

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities		
	2007	2006	2005
Disbursements:			
Library Services	366,667	373,337	356,061
Capital Outlay	3,891	1,255	3,406
Total Disbursements	<u>370,558</u>	<u>374,592</u>	<u>359,467</u>
 (Decrease) in Net Assets	 (15,912)	 (30,438)	 (21,360)
 Net Assets, January 1	 <u>368,849</u>	 <u>399,287</u>	 <u>420,647</u>
Net Assets, December 31	<u>\$352,937</u>	<u>\$368,849</u>	<u>\$399,287</u>

Program receipts represent only around 6% of total receipts and are primarily comprised of patron receipts for overdue fines, copy machine revenue, and contributions. General receipts make up the 94% of revenue. Disbursements for Library Services represent the overhead costs of running the Library.

Governmental Activities

If you look at the Statement of Activities on page 10 for 2007 and page 16 for 2006, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Library Services, which account for 99 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by Library and Local Government Support Funds. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
	Library Services	\$366,667	(\$346,555)	\$373,337	(\$352,872)	\$356,061
Capital Outlay	3,891	(3,891)	1,255	(1,255)	3,406	(3,406)
Total Expenses	<u>\$370,558</u>	<u>(\$350,446)</u>	<u>\$374,592</u>	<u>(\$354,127)</u>	<u>\$359,467</u>	<u>(\$343,660)</u>

The dependence upon receipts from the State Public Library Fund (Grants & Entitlements in Table 2) is apparent, as approximately 94% of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$354,646 and \$344,154 and disbursements of \$370,558 and \$374,592 for 2007 and 2006 respectively. General Fund disbursements exceeded receipts by \$15,788 in 2007 and \$27,426 in 2006 as result of increased costs and no increase in Library and Local Government Support.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

Budgeted disbursements in the General Fund were \$427,746 for 2007 and \$431,694 for 2006. Actual disbursements were \$375,269 for 2007 and \$379,069 for 2006. The Library kept spending under budgeted amounts as demonstrated by the positive variances.

Current Issues

The challenge all Local Governments face is to provide quality services to the public while staying within the restrictions imposed by limited and declining funding. The Library relies almost exclusively on Library and Local Government Support which has been frozen since 2002. The Board of Trustees has decided to place a one-half mill operating levy on the ballot. The levy was voted down in November of 2007 and May of 2008. It will be placed on the ballot again in November of 2008.

Contacting the Library's Financial Management

This financial report is designed to provide our patrons and the taxpayers, with a general overview of the Library's finances and to reflect its accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Diane Kremer, Fiscal Officer, St. Paris Public Library, 127 E. Main St., St. Paris, Ohio 43072.

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ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$350,637
Investment	2,300
Total Assets	<u>352,937</u>
Net Assets	
Restricted for:	
Capital Projects	208,447
Permanent Fund:	
Expendable	4,001
Nonexpendable	64,486
Unrestricted	76,003
Total Net Assets	<u>\$352,937</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$366,667	\$13,479	\$6,633	(\$346,555)
Capital Outlay	3,891			(3,891)
Total Governmental Activities	\$370,558	\$13,479	\$6,633	(350,446)
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				313,522
Earnings on Investments				17,853
Miscellaneous				3,159
Total General Receipts				334,534
Change in Net Assets				(15,912)
Net Assets Beginning of Year				368,849
Net Assets End of Year				\$352,937

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Building Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>
Assets				
Equity in Pooled Cash and Cash Equivalents Investment	\$75,980	\$45,638	\$100,000	\$50,000
Total Assets	<u>75,980</u>	<u>45,638</u>	<u>100,000</u>	<u>50,000</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	13,085			
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	62,895			
Special Revenue Funds				
Capital Projects Funds		45,638	100,000	50,000
Permanent Fund				
Total Fund Balances	<u>\$75,980</u>	<u>\$45,638</u>	<u>\$100,000</u>	<u>\$50,000</u>

See accompanying notes to the basic financial statements.

(continued)

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007
(Continued)**

	<u>Permanent Fund</u>		<u>Total Governmental Funds</u>
	<u>Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	
Assets			
Cash	\$56,677	\$22,342	\$350,637
Investments		2,300	2,300
Total Assets	<u>56,677</u>	<u>24,642</u>	<u>352,937</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances		332	13,417
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund			62,895
Special Revenue Funds		23	23
Capital Projects Funds		12,477	208,115
Permanent Fund	56,677	11,810	68,487
Total Fund Balances	<u>\$56,677</u>	<u>\$24,642</u>	<u>\$352,937</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Building Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>	<u>Permanent Fund Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash Receipts							
Library and Local Government Support	\$311,660						\$311,660
Intergovernmental	1,862						1,862
Patron, Fines and Fees	13,479						13,479
Contributions, Gifts and Donations	4,633					\$2,000	6,633
Earnings on Investments	13,852				\$2,952	1,049	17,853
Miscellaneous	910	\$2,249					3,159
Total Cash Receipts	<u>346,396</u>	<u>2,249</u>			<u>2,952</u>	<u>3,049</u>	<u>354,646</u>
Cash Disbursements							
Current:							
Library Services	361,921					4,746	366,667
Capital Outlay	263	2,773				855	3,891
Total Cash Disbursements	<u>362,184</u>	<u>2,773</u>				<u>5,601</u>	<u>370,558</u>
Excess of Receipts Over (Under) Disbursements	(15,788)	(524)			2,952	(2,552)	(15,912)
Fund Balances Beginning of Year	91,768	46,162	100,000	50,000	53,725	27,194	368,849
Fund Balances End of Year	<u>\$75,980</u>	<u>\$45,638</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$56,677</u>	<u>\$24,642</u>	<u>\$352,937</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Library and Local Government Support	\$311,660	\$311,660	\$311,660	
Intergovernmental	716	716	1,862	\$1,146
Patron, Fines and Fees	17,600	17,600	13,479	(4,121)
Contributions, Gifts and Donations	1,000	1,000	4,633	3,633
Earnings on Investments	8,500	8,500	13,852	5,352
Miscellaneous			910	910
Total Cash Receipts	<u>339,476</u>	<u>339,476</u>	<u>346,396</u>	<u>6,920</u>
Cash Disbursements				
Current:				
Library Services	422,746	422,746	375,006	47,740
Capital Outlay	5,000	5,000	263	4,737
Total Cash Disbursements	<u>427,746</u>	<u>427,746</u>	<u>375,269</u>	<u>52,477</u>
Net Change in Fund Balance	(88,270)	(88,270)	(28,873)	59,397
Fund Balance Beginning of Year	84,279	84,279	84,279	
Prior Year Encumbrances Appropriated	<u>7,489</u>	<u>7,489</u>	<u>7,489</u>	
Fund Balance End of Year	<u>\$3,498</u>	<u>\$3,498</u>	<u>\$62,895</u>	<u>\$59,397</u>

See accompanying notes to the basic financial statements.

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$366,549
Investments	2,300
Total Assets	<u>368,849</u>
Net Assets	
Restricted for:	
Capital Projects	208,848
Permanent Fund:	
Nonexpendable	64,486
Unrestricted	95,515
Total Net Assets	<u>\$368,849</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services	\$373,337	\$15,263	\$5,202	(\$352,872)
Capital Outlay	1,255			(1,255)
Total Governmental Activities	<u>\$374,592</u>	<u>\$15,263</u>	<u>\$5,202</u>	<u>(354,127)</u>
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				312,368
Earnings on Investments				<u>11,321</u>
Total General Receipts				<u>323,689</u>
Change in Net Assets				(30,438)
Net Assets Beginning of Year				<u>399,287</u>
Net Assets End of Year				<u>\$368,849</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Building Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$91,768	\$46,162	\$100,000	\$50,000
Investments				
Total Assets	<u>91,768</u>	<u>46,162</u>	<u>100,000</u>	<u>50,000</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	7,489			
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	84,279			
Special Revenue Funds				
Capital Projects Funds		46,162	100,000	50,000
Permanent Fund				
Total Fund Balances	<u>\$91,768</u>	<u>\$46,162</u>	<u>\$100,000</u>	<u>\$50,000</u>

See accompanying notes to the basic financial statements.

(continued)

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006
(Continued)**

	Permanent Fund	Other Governmental Funds	Total Governmental Funds
	Richard Barger Bequest	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$53,725	\$24,894	\$366,549
Investments		2,300	2,300
Total Assets	53,725	27,194	368,849
Fund Balances			
Reserved:			
Reserved for Encumbrances			7,489
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund			84,279
Special Revenue Funds		3,747	3,747
Capital Projects Funds		12,686	208,848
Permanent Fund	53,725	10,761	64,486
Total Fund Balances	\$53,725	\$27,194	\$368,849

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Building Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>	<u>Permanent Fund Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash Receipts							
Library and Local Government Support	\$311,660						\$311,660
Intergovernmental	708						708
Patron, Fines and Fees	15,263						15,263
Contributions, Gifts and Donations	5,202						5,202
Earnings on Investments	11,321						11,321
Total Cash Receipts	<u>344,154</u>						<u>344,154</u>
Cash Disbursements							
Current:							
Library Services	370,325					\$3,012	373,337
Capital Outlay	1,255						1,255
Total Cash Disbursements	<u>371,580</u>					<u>3,012</u>	<u>374,592</u>
Excess of Receipts (Under) Disbursements	(27,426)					(3,012)	(30,438)
Fund Balances Beginning of Year	119,194	\$46,162	\$100,000	\$50,000	\$53,725	30,206	399,287
Fund Balances End of Year	<u>\$91,768</u>	<u>\$46,162</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$53,725</u>	<u>\$27,194</u>	<u>\$368,849</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Library and Local Government Support	\$294,500	\$309,414	\$311,660	\$2,246
Intergovernmental		1,416	708	(708)
Patron, Fines and Fees	17,600	11,400	15,263	3,863
Contributions, Gifts and Donations	1,000	1,000	5,202	4,202
Earnings on Investments	5,000	5,000	11,321	6,321
Total Cash Receipts	<u>318,100</u>	<u>328,230</u>	<u>344,154</u>	<u>15,924</u>
Cash Disbursements				
Current:				
Library Services	426,694	429,879	377,814	52,065
Capital Outlay	5,000	1,815	1,255	560
Total Cash Disbursements	<u>431,694</u>	<u>431,694</u>	<u>379,069</u>	<u>52,625</u>
Net Change in Fund Balance	(113,594)	(103,464)	(34,915)	68,549
Fund Balance Beginning of Year	110,107	110,107	110,107	
Prior Year Encumbrances Appropriated	<u>9,087</u>	<u>9,087</u>	<u>9,087</u>	
Fund Balance End of Year	<u>\$5,600</u>	<u>\$15,730</u>	<u>\$84,279</u>	<u>\$68,549</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

1. REPORTING ENTITY

The St. Paris Public Library was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven volunteer members from the community officially appointed by the Graham Local School Board of Education. Trustees serve 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 Library Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education. Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Graham Local School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. This Library has no component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the St Paris Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through intergovernmental receipts and other non-exchange transactions.

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

2. Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal accounting entity with a self balancing set of accounts. The funds of the Library are grouped into the governmental category.

1. Governmental Funds

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Repair Fund - The building repair fund accounts for monies set aside by the Board of Library Trustees specifically for major repairs and improvements to the library building.

Capital Improvements Fund – The capital improvements fund accounts for monies set aside by the Board of Library Trustees specifically for capital improvements such as enlargement of the library building or the opening of branch libraries and any other major expenditure not accounted for in the building repair fund.

Contingency Fund – The contingency fund accounts for monies set aside by the Board of Trustees specifically to be used in an unusual financial emergency such as loss of state funds.

Richard Barger Bequest – The Richard Barger Bequest Fund is a permanent fund restricted as to its principal. Its purpose is to use the investment income for general use; the principal is to remain intact.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund/function/object 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 Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool 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.

During 2006 and 2007, investments were limited to Certificates of Deposit at the First Central National Bank of St. Paris, deposits with STAR Ohio, and 675 shares of Dayton Power & Light stock which was donated to the Library. Investments are recorded at cost except for the DP&L Stock which is presented at the market value at the time the stock was donated.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. In 2006, all interest earned on investments in the amount of \$11,321 was credited to the General Fund which includes \$8,504 assigned from other Library funds.

In 2007, interest income was credited to the related funds as follows: \$13,852 to the General Fund which includes \$11,209 assigned from other Library fund and \$4,001 to Permanent Funds.

F. Fund Balance Reserves

The Library reserves those portions of fund equity which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. A fund equity reserve has been established for encumbrances.

G. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent bequests where the grantor has stipulated that the interest only is to be used for general library purposes. Restricted funds for 2006 and 2007 are the Permanent Funds: Richard Barger Bequest, Black Bequest, and the DP&L Stock.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no net assets restricted by enabling legislation at December 31, 2006 or 2007.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2007 and 2006 (budgetary basis) for the General Fund were \$13,085 and \$7,489 respectively.

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits 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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, \$175,000 of the Library's bank balance of \$333,742, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. Another \$58,742 of the 2007 bank balance was both uninsured and uncollateralized. At December 31, 2006, \$175,000 of the Library's bank balance of \$350,037, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. Another \$75,037 of the 2006 bank balance was both uninsured and uncollateralized in violation of Ohio Rev. Code Section 135.18(A)..

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

B. Investments

As of December 31, 2007, the Library had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$22,383	Average

As of December 31, 2006, the Library had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$21,284	Average

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

The Library received a gift of Dayton Power and Light (DP&L) stock in 1981 with a market value of \$2,300. The fair market value of this stock as of December 31, 2007 was \$20,014 and for 2006 was \$18,752.

5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007 and 2006, the Library contracted with the Utica National Insurance Group through Dye & Doss Insurance Agency for the following insurance coverage:

Company	Type of Coverage	Coverage
Utica National Insurance Group	Commercial	
	Property	\$1,970,051
	General Liability	1,000,000
	Inland Marine	660,448
	Vehicle	1,000,000

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

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

The Library pays health insurance premiums (100%) for eligible employees through Graham Local Schools Board of Education.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

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

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2007 and 2006, the members of all three plans were required to contribute 9.5 and 9.0 percent of their annual covered salaries, respectively. The Library's contribution rate for pension benefits for 2007 and 2006 was 13.85 and 13.70 percent respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$23,659, \$24,794 and \$22,474 respectively. The full amount required was paid by the Library to OPERS

7. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 and 13.70 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 5 percent annually for the next eight years and 4.00 percent annually after eight years.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

7. POST-EMPLOYMENT BENEFITS(Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$8,723. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2007, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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Mary Taylor, CPA

Auditor of State

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

St Paris Public Library
Champaign County
P. O. Box 740
St Paris, Ohio 43072

To the Library Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St Paris Public Library, Champaign County, (the Library) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 24, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

We consider the deficiencies described in the accompanying schedule of findings as findings 2007-001 and 2007-002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above as findings 2007-001 and 2007-002 are material weaknesses.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated October 24, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-002 and 2007-003

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated October 24, 2008.

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

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 24, 2008

**ST PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

Material Weakness

Bank Reconciliations Timely Completion and Errors

The Fiscal Officer completed the bank-to-book reconciliations for the Library during the audit period. The following weaknesses were noted with regards to the 2006 and 2007 bank reconciliations:

- Bank statements were not reconciled timely, in May through July, 2007 bank reconciliations were performed one or two months after the statement was received;
- A direct deposit from Champaign County Auditor in the amount of \$14,023 was made on June 15, 2007 but was not posted to the accounting system until December 17, 2007;
- Check #7952 was listed on the December 31, 2006 bank reconciliation as an outstanding check. The check did not clear the bank in January 2007 nor was it voided, however it was not listed on subsequent outstanding checklists;
- Re-performance of bank to book reconciliations for December 2006 and 2007 indicated a \$104.70 and \$85.65, respectfully, unknown/unidentified variance, however the Library's reconciliation does not indicate any reconciling items except outstanding checks;
- Check numbers in January 2007 and April 2007 per the bank statement did not agree with check numbers recorded in the accounting system for 34 checks;
- Various months' reconciliations during the audit period indicated reconciling items were changed but there was no explanation for the changes.

The Library Fiscal Officer should complete the bank-to-book reconciliation process monthly to reduce the risk of errors and/or irregularities going undetected. Any unusual reconciling items should be explained on the bank reconciliation. Any variances should be investigated and corrected, if necessary. The failure to perform bank reconciliations in a timely manner resulted in errors going undetected for several months and could result in a material misstatement in the financial statements. Due to the lack of segregation of duties for a small government, such as a Library, the Board of Trustees or Finance Committee should review the bank reconciliations.

Officials Response:

The Fiscal officer will complete the bank-to-book reconciliation process for each month no later than the last day of the following month, will provide explanations for any unusual reconciling items, and will investigate and correct, as necessary, any variances that occur, in order to reduce the risk of errors and/or irregularities going undetected for several months which could result in a material misstatement in the financial statements.

FINDING NUMBER 2007-002

Material Weakness/Material Noncompliance

Ohio Rev. Code Section 135.21 states, in part, that interest earnings shall be credited to the general fund of the subdivision with the following exceptions:

**FINDING NUMBER 2007-002
(Continued)**

- **ORC Section 3375.391** states the board of library trustees of any free public library district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution.
- **ORC Section 5705.131** states that interest earned on principal of a permanent fund established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the permanent fund to which the principal belongs.

In 2007, the fiscal officer posted interest to three capital projects funds that were not allowed to receive interest. The Library Board of Trustees did not pass a resolution stating that any fund except the General and Permanent Funds could receive interest. The Board of Trustees should pass a resolution specifying the funds to receive interest, if they want those funds to receive interest. The financial statements have been adjusted to reflect the proper interest allocation by fund.

Officials Response:

The Fiscal Officer will credit the interest earned on the library's capital projects funds to the general fund unless the library board of trustees adopts policies to the contrary in order to comply with ORC Section 135.21. The Fiscal Officer will continue to credit the interest earned on the principle of the library's permanent funds to the funds from which the interest arose.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Rev. Code Section 135.18(A) states, in part, that the treasurer of a political subdivision shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public monies to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public monies to be at the time so deposited, over and above the portion or amount of such monies as is at that time insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

Throughout 2006 and 2007, the collateral pledged by the Library's Bank plus FDIC coverage was not adequate to cover deposits. The deposits in excess of this coverage range from \$58,742 to \$75,037.

The Library should periodically review bank balances to help assure that pledged collateral and FDIC coverage is adequate to cover deposits.

Officials Response:

The Fiscal Officer will review bank balances at the end of each calendar quarter to help assure that pledged collateral and FDIC coverage is adequate to cover deposits in compliance with ORC 135.18(A). If at the end of any calendar quarter, pledged collateral and FDIC coverage is not adequate to cover the library's bank deposits, the fiscal officer will ask the board to request additional pledged collateral from the First Central National Bank where the library's funds are deposited to restore an adequate amount of coverage.

ST PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC Section 135.18(A) – insignificant collateral pledged to cover deposits	No	Reissued as Finding #2007-003



Mary Taylor, CPA
Auditor of State

ST. PARIS PUBLIC LIBRARY

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 18, 2008**