



Mary Taylor, CPA
Auditor of State

**WILMINGTON PUBLIC LIBRARY
CLINTON COUNTY**

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**WILMINGTON PUBLIC LIBRARY
CLINTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wilmington Public Library
Clinton County
268 North South Street
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington Public Library, County, Ohio (the Library), as of and for the year ended December 31, 2007, 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 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 2C, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington Public Library, Clinton County, Ohio, as of December 31, 2007, and the changes in cash financial position and the respective budgetary comparison for the General Fund and thereof for the year then ended in conformity with the basis of accounting Note 2C describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 5, 2008

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$21,607, or 2.3 percent, a significant change from the prior year which showed an increase of 1.5 percent. The fund most affected by the decrease in cash and cash equivalents was the Building and Repair Fund, which showed a decrease of \$37,202 or 20.6 percent.

The Library's general receipts are primarily the Library and Local Government Support Fund (LLGSF). These receipts represent 93.2 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2007 changed very little compared to 2006 due to a freeze of LLGSF by the Ohio government.

The General Fund had an increase in net assets of \$17,000 or 5 percent.

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.

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of 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. 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 nonfinancial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

Reporting the Library's Most Significant Funds

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

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Fund, the Building and Repair Fund and the Land Acquisition and Improvement 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Library as a Whole

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

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$918,179	\$939,786
Total Assets	<u>\$918,179</u>	<u>\$939,786</u>
Net Assets		
Restricted for:		
Capital Projects	422,591	450,963
Other Purposes	70,195	139,087
Unrestricted	<u>425,393</u>	<u>349,736</u>
Total Net Assets	<u>\$918,179</u>	<u>\$939,786</u>

As mentioned previously, net assets of governmental activities decreased \$ 21,607 or 2.3 percent during 2007. While the General Fund had an increase in net assets, the Building and Repair Fund had a decrease of \$37,202 or 20.6 percent. The primary reasons for the decrease are as follows:

- The floor in the main part of the Library had to be repaired and the carpet replaced. There were also roof, electrical and ramp repairs to the building.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006:

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2)
Changes in Net Assets

	Governmental	
	Activities	
	2007	2006
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$26,531	\$27,149
Total Program Receipts	26,531	27,149
General Receipts:		
LLGSF	706,242	706,242
Contributions, Gifts and Donations	2,415	71,261
Earnings on Investments	41,351	36,463
Miscellaneous	7,507	1,482
Total General Receipts	757,515	815,448
Total Receipts	784,046	842,597
Disbursements:		
Library Services	747,888	752,130
Capital Outlay	57,765	77,714
Total Disbursements	805,653	829,844
Excess (Deficiency) Before Transfers	(21,607)	12,753
Transfers		
Increase (Decrease) in Net Assets	(21,607)	12,753
Net Assets, January 1	940,780	927,033
Net Assets, December 31	\$919,173	\$939,786

Program receipts represent only 3.4 percent of total receipts and are primarily comprised of fines for lost materials and charges for copies.

General receipts represent 96.6 percent of the Library's total receipts, and of this amount, over 93.2 percent is LLGSF. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of payroll and maintenance to the building.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are for library materials, facilities operations/maintenance and payroll/benefits, which accounts for 92.8 percent of governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. 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
Library Services	\$747,888	\$721,357	\$752,130	\$724,981
Capital Outlay	57,765	57,765	77,714	77,714
Total Expenses	\$805,653	\$779,122	\$829,844	\$802,695

The dependence upon LLGSF tax receipts is apparent as over 96.7 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$784,046 and disbursements of \$805,653. The greatest change within governmental funds occurred within the Building and Repair Fund. The fund balance of the Building and Repair Fund decreased \$37,202 as the result of repairs to the building.

General Fund receipts were more than disbursements by \$17,000.

General Fund Budgeting Highlights

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

During 2007, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to LLGSF distribution being less than originally expected at the beginning of the year. The difference between final budgeted receipts (\$757,462) and actual receipts (\$758,396) was not significant.

Final disbursements were budgeted at \$767,830 while actual disbursements were \$746,397.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Library does not currently record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2007, the Library had no outstanding debt.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Library and Local Government Support Fund and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library. The Finance Committee and the administration have tried to keep expenditures under receipts for the year. This was possible in the General Fund, but due to unexpected expenses, not in the Building and Repair Fund.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sandra Arrasmith, Clerk-Treasurer, Wilmington Public Library, 268 North South St., Wilmington, Ohio 45177.

Wilmington Public Library
Clinton County
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$918,179
<i>Total Assets</i>	\$918,179
 Net Assets	
Restricted for:	
Capital Projects	\$422,591
Permanent Fund- Art Books	
Nonexpendable	2,500
Permanent Fund - Library Materials	
Expendable	407
Nonexpendable	2,000
Permanent Fund - No Restrictions	
Expendable	128
Nonexpendable	1,000
Other Purposes	64,160
Unrestricted	425,393
<i>Total Net Assets</i>	\$918,179

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Activities - 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	Governmental Activities
Governmental Activities			
Library Services:	\$747,888	\$26,531	(\$721,357)
Capital Outlay	57,765	0	(57,765)
<i>Total Governmental Activities</i>	<u>\$805,653</u>	<u>\$26,531</u>	(779,122)
General Receipts			
			2,415
Unrestricted Gifts and Contributions			706,242
Grants and Entitlements not Restricted to Specific Programs			41,351
Earnings on Investments			7,507
Miscellaneous			<u>7,507</u>
<i>Total General Receipts</i>			757,515
<i>Total General Receipts, Contributions to Permanent Fund Special Item, Extraordinary Item, Transfers and Advances</i>			<u>757,515</u>
Change in Net Assets			(21,607)
<i>Net Assets Beginning of Year</i>			<u>939,786</u>
<i>Net Assets End of Year</i>			<u>\$918,179</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Land Acquisition & Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$356,921	\$143,685	\$278,906	\$138,667	\$918,179
<i>Total Assets</i>	<u>\$356,921</u>	<u>\$143,685</u>	<u>\$278,906</u>	<u>\$138,667</u>	<u>\$918,179</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$5,002	\$0	\$0	\$0	\$5,002
Unreserved:					
Undesignated, Reported in:					
General Fund	351,919	0	0	0	351,919
Special Revenue Funds	0	0	0	132,632	132,632
Capital Projects Funds	0	143,685	278,906	0	422,591
Permanent Funds				6,035	6,035
<i>Total Fund Balances</i>	<u>\$356,921</u>	<u>\$143,685</u>	<u>\$278,906</u>	<u>\$138,667</u>	<u>\$918,179</u>

See accompanying notes to the basic financial statements

**Wilmington Public Library
Clinton County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds*

For the Year Ended December 31, 2007

	General	Building & Repair Fund	Land Acquisition & Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$706,242	\$0	\$0	\$0	\$706,242
Patron Fines and Fees	26,331	0	0	0	26,331
Contributions, Gifts and Donations	5,765	0	0	0	5,765
Earnings on Investments	15,701	8,049	11,216	6,385	41,351
Miscellaneous	4,357	0	0	0	4,357
<i>Total Receipts</i>	<u>758,396</u>	<u>8,049</u>	<u>11,216</u>	<u>6,385</u>	<u>784,046</u>
Disbursements					
Current:					
Library Services	733,243	0	0	14,645	747,888
Capital Outlay	8,153	45,251	2,385	1,976	57,765
<i>Total Disbursements</i>	<u>741,396</u>	<u>45,251</u>	<u>2,385</u>	<u>16,621</u>	<u>805,653</u>
<i>Net Change in Fund Balances</i>	17,000	(37,202)	8,831	(10,236)	(21,607)
<i>Fund Balances Beginning of Year</i>	<u>339,921</u>	<u>180,887</u>	<u>270,074</u>	<u>148,904</u>	<u>939,786</u>
<i>Fund Balances End of Year</i>	<u>\$356,921</u>	<u>\$143,685</u>	<u>\$278,905</u>	<u>\$138,668</u>	<u>\$918,179</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Fiduciary Net Assets -Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$15,135
<i>Total Assets</i>	<u>\$15,135</u>
Net Assets	
Restricted for:	
Other Purposes	\$15,135
Total Net Assets	<u>\$15,135</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Receipts, 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>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Library and Local Government Support	\$766,518	\$706,242	\$706,242	\$0
Patron Fines and Fees	27,800	27,400	26,331	(1,069)
Contributions, Gifts and Donations	10,000	5,620	5,765	145
Earnings on Investments	11,000	14,000	15,701	1,701
Miscellaneous	1,100	4,200	4,357	157
<i>Total receipts</i>	<u>816,418</u>	<u>757,462</u>	<u>758,396</u>	<u>934</u>
Disbursements				
Current:				
Library Services	756,155	759,530	738,244	21,286
Capital Outlay	7,000	8,300	8,153	147
<i>Total Disbursements</i>	<u>763,155</u>	<u>767,830</u>	<u>746,397</u>	<u>21,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,263</u>	<u>(10,368)</u>	<u>11,999</u>	<u>22,367</u>
Other Financing Sources (Uses)				
Other Financing Uses	(3,000)	(1,625)		1,625
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000)</u>	<u>(1,625)</u>	<u>0</u>	<u>1,625</u>
<i>Net Change in Fund Balance</i>	50,263	(11,993)	11,999	23,992
<i>Fund Balance Beginning of Year</i>	328,500	328,500	328,500	0
Prior Year Encumbrances Appropriated	11,420	11,420	11,420	0
<i>Fund Balance End of Year</i>	<u>\$390,183</u>	<u>\$327,927</u>	<u>\$351,919</u>	<u>\$23,992</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 – Description of the Library and Reporting Entity

The Wilmington Public Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Clinton County Board of County Commissioners and the Common Pleas Court Judge. Appointments are for seven-year terms and members serve without compensation. The Library also determines and operates under its own budget. Control and management of the Library is governed by the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer. The Library provides the community with various educational and literary resources.

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. The Library has no component units.

The Friends of the Wilmington Public Library 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. 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 Note 2.C, the financial statements of the Wilmington Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

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.

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, except for fiduciary funds.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

The statement of net assets presents the financial condition 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 or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

Governmental Funds

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

General Fund - The general fund accounts for 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.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major repairs of Library owned buildings or for the construction and furnishing of new buildings or additions.

Land Acquisition and Improvement Fund - The Land Acquisition and Improvement fund accounts for monies set aside by the Board of Library Trustees for future Library projects.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library has one agency fund, the Regional Library Fund, which accounts for funds held by the Library for the SWORL Group, an organization made up of local libraries that participated in interlibrary loan services.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

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

D. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. Budgetary expenditures may not exceed appropriations at the fund, function and object level of control.

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

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

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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, respectively.

During 2007, investments were limited to treasury bills, STAR Ohio and certificates of deposit. Treasury bills are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2007 amounted to \$8,501 which includes \$287 assigned from other Library funds.

F. Inventory and Prepaid Items

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

G. 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.

H. 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.

I. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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. Net assets restricted for other purposes include resources restricted for capital projects, art books and library materials. There were no restrictions due to enabling legislation.

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

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Inter-fund Transactions

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

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 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 year end (budgetary basis) amounted to \$5002 for the General fund.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 – Deposits and Investments (continued)

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.

At year end, the Library had \$156 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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 year end, \$230,714 of the Library's bank balance of \$681,952 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

Investments

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

	Carrying Value	Maturity
STAR Ohio	\$286,387	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.

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

Company	Type of Coverage	Amount of Coverage
Cincinnati Insurance Co.	Commercial Property General Liability Commercial Crime	\$2,972,000 1,000,000 5,000
Chubb Group	Inland Marine Errors and Omissions	66,124 3,000,000

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 5 - Risk Management (continued)

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

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

The Library provides health insurance to full-time employees through a private carrier.

Note 6 – Grants-in-Aid

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

Note 7 - Defined Benefit Pension Plan

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

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

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$93,601, \$90,252, and \$91,269 respectively; the full amount has been contributed for 2007, 2006, and 2005.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 8 – Post-employment Benefits

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the member-directed plan do not qualify for post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 45*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

The 2007 local government employer contribution rate was 13.85 percent of covered payroll. The portion of employer contributions allocated to the health care plan was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age 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 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5.00 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

As of December 31, 2007, the Traditional Pension and Combined plans had 374,979 active contributing participants. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$22,059. 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, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007 which will allow additional funds to be allocated to the health care plan.

Note 9 – Library Facilities

In addition to the main Library, the Wilmington Public Library has a contract with the Clinton Massie School District wherein the School District has agreed to provide space and facilities for the operation of a joint library for public and student use. The Library pays \$5000 annually for overall operating expenses. The Library employs its own staff, purchases its own materials, and maintains separate financial record keeping.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wilmington Public Library
Clinton County
268 North South Street
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington Public Library, County, Ohio (the Library), as of and for the year ended December 31, 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 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 2C, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilmington Public Library, Clinton County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and thereof for the year then ended in conformity with the basis of accounting Note 2C describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 5, 2008

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$12,753, or 1.4 percent, a significant change from the prior year which showed a decrease of 11.2 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund, which showed an increase of \$18,494 or 5.4 percent.

The Library's general receipts are primarily the Library and Local Government Support Fund. These receipts represent 83.8 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2006 changed very little compared to 2005 due to a freeze of LLGSF by the Ohio government.

The Building and Repair Fund also had an increase of \$4,440 or 2.5 percent. The Land Acquisition and Improvement Fund net assets decreased \$52,805 or 19.6 percent due to the building of a parking lot.

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.

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.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of 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. 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 condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

Reporting the Library's Most Significant Funds

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

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Fund, the Building and Repair Fund and the Land Acquisition and Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Library as a Whole

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

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$939,786	\$927,033
Total Assets	\$939,786	\$927,033
 Net Assets		
Restricted for:		
Capital Projects	450,963	499,327
Other Purposes	139,087	106,279
Unrestricted	349,736	321,427
Total Net Assets	\$939,786	\$927,033

As mentioned previously, net assets of governmental activities increased \$12,753 or 1.4 percent during 2006. While the General Fund and the Building and Repair Fund had increases in net assets, the Land Acquisition and Improvement Fund had a decrease in net assets.

- The LLGSF revenue has remained the same due to the freeze placed on it by the Ohio government but the Library received several bequests that would partially account for the increase in fund balance. Also, investments earnings were higher than estimated.
- In 2006, the Library changed to a different health insurance company. The policy had comparable coverage at lower premiums.
- The Library had previously purchased two adjacent properties for the purpose of building a parking lot. In 2006, the project was completed. As a result, the Land Acquisition and Improvement Fund had a decrease in fund balance of \$52,805.

Table 2 reflects the changes in net assets on a cash basis in 2006.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental	
	Activities	
	2006	2005
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$27,149	\$22,272
Total Program Receipts	<u>27,149</u>	<u>22,272</u>
General Receipts:		
LLGSF	706,242	706,242
Contributions, Gifts and Donations	71,261	20,227
Earnings on Investments	36,463	30,643
Miscellaneous	1,482	6,270
Total General Receipts	<u>815,448</u>	<u>763,382</u>
Total Receipts	<u>842,597</u>	<u>785,654</u>
Disbursements:		
Library Services	752,130	784,088
Capital Outlay	77,714	118,932
Total Disbursements	<u>829,844</u>	<u>903,020</u>
Excess (Deficiency) Before Transfers	12,753	(117,366)
Transfers		
Increase (Decrease) in Net Assets	<u>12,753</u>	<u>(117,366)</u>
Net Assets, January 1	<u>927,033</u>	<u>1,044,400</u>
Net Assets, December 31	<u>\$939,786</u>	<u>\$927,034</u>

Program receipts represent only 3.2 percent of total receipts and are primarily comprised of fines for lost books and copies.

General receipts represent 96.8 percent of the Library's total receipts, and of this amount, 86.6 percent is LLGSF. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

Disbursements for Library services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs payroll and maintenance of the building.

Wilmington Public Library
 Management's Discussion and Analysis
 For the Year Ended December 31, 2006
 Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for Library services are for library materials, facilities operation/maintenance and payroll/benefits, which accounts for 90.6 of governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. 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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Library Services	\$752,130	\$724,981	\$785,088	\$761,816
Capital Outlay	\$77,714	\$77,714	\$118,932	\$118,932
Total Expenses	\$829,844	\$802,695	\$904,020	\$880,748

The dependence upon LLGSF tax receipts is apparent as over 96.7 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$842,597 and disbursements of \$829,844. The greatest change within governmental funds occurred within the Land Acquisition and Improvement Fund. The fund balance of the Land Acquisition and Improvement Fund decreased \$52,805 as the result of building a parking lot. Lack of parking space has been a significant problem for the Library.

General Fund receipts were more than disbursements by \$18,494. The Building and Repair Fund receipts were more than disbursements by \$4,440.

General Fund Budgeting Highlights

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

During 2006, the Library amended its General Fund budget. Final budgeted receipts were \$744,842 while actual receipts were \$757,265.

Final disbursements were budgeted at \$780,797 while actual disbursements were \$750,192.

Wilmington Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Library does not currently record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2006, the Library has no outstanding debt.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Library and Local Government Support Fund. The Finance Committee and the administration have recommended strategies to reduce costs. All departments have been asked to reduce their spending.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sandra Arrasmith, Clerk-Treasurer, Wilmington Public Library, 268 North South St., Wilmington, Ohio 45177.

Wilmington Public Library
Clinton County
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$939,786
<i>Total Assets</i>	\$939,786
Net Assets	
Restricted for:	
Capital Projects	\$450,963
Permanent Fund- Art Books	
Nonexpendable	2,500
Permanent Fund - Library Materials	
Expendable	407
Nonexpendable	2,000
Permanent Fund - No Restrictions	
Expendable	128
Nonexpendable	1,000
Other Purposes	133,052
Unrestricted	349,736
<i>Total Net Assets</i>	\$939,786

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:	\$752,130	\$27,149	(\$724,981)
Capital Outlay	77,714	0	(77,714)
<i>Total Governmental Activities</i>	<u>\$829,844</u>	<u>\$27,149</u>	(802,695)
		General Receipts	
		Unrestricted Gifts and Contributions	3,850
		Grants and Entitlements not Restricted to Specific Programs	706,242
		Earnings on Investments	36,463
		Miscellaneous	68,893
		<i>Total General Receipts</i>	815,448
		<i>Total General Receipts, Contributions to Permanent Fund Special Item, Extraordinary Item, Transfers and Advances</i>	<u>815,448</u>
		Change in Net Assets	12,753
		<i>Net Assets Beginning of Year</i>	<u>927,033</u>
		<i>Net Assets End of Year</i>	<u>\$939,786</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Land Acquisition & Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$339,920	\$180,888	\$270,075	\$148,903	\$939,786
<i>Total Assets</i>	<u>\$339,920</u>	<u>\$180,888</u>	<u>\$270,075</u>	<u>\$148,903</u>	<u>\$939,786</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$11,420	\$3,000	\$0	\$3,101	\$17,521
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	328,500				328,500
Special Revenue Funds				139,767	139,767
Capital Projects Funds		177,888	270,075		447,963
Permanent Funds				6,035	6,035
<i>Total Fund Balances</i>	<u>\$339,920</u>	<u>\$180,888</u>	<u>\$270,075</u>	<u>\$148,903</u>	<u>\$939,786</u>

See accompanying notes to the basic financial statements

**Wilmington Public Library
Clinton County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds*

For the Year Ended December 31, 2006

	General	Building & Repair Fund	Land Acquisition & Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$706,242				\$706,242
Patron Fines and Fees	27,149				27,149
Contributions, Gifts and Donations	11,261			60,000	71,261
Earnings on Investments	11,131	7,579	13,839	3,914	36,463
Miscellaneous	1,482				1,482
<i>Total Receipts</i>	<u>757,265</u>	<u>7,579</u>	<u>13,839</u>	<u>63,914</u>	<u>842,597</u>
Disbursements					
Current:					
Library Services	735,046	0	1,210	15,874	752,130
Capital Outlay	3,725	3,139	65,435	5,415	77,714
<i>Total Disbursements</i>	<u>738,771</u>	<u>3,139</u>	<u>66,645</u>	<u>21,289</u>	<u>829,844</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,494</u>	<u>4,440</u>	<u>(52,806)</u>	<u>42,625</u>	<u>12,753</u>
<i>Net Change in Fund Balances</i>	18,494	4,440	(52,806)	42,625	12,753
<i>Fund Balances Beginning of Year</i>	<u>321,427</u>	<u>176,447</u>	<u>322,880</u>	<u>106,279</u>	<u>927,033</u>
<i>Fund Balances End of Year</i>	<u>\$339,921</u>	<u>\$180,887</u>	<u>\$270,074</u>	<u>\$148,904</u>	<u>\$939,786</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$14,392
<i>Total Assets</i>	<u>\$14,392</u>
Net Assets	
Restricted for:	
Other Purposes	\$14,392
Total Net Assets	<u>\$14,392</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Clinton County
Statement of Receipts, 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>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Library and Local Government Support	\$706,242	\$706,242	\$706,242	\$0
Patron Fines and Fees	22,000	22,000	27,149	5,149
Contributions, Gifts and Donations	6,100	6,100	11,261	5,161
Earnings on Investments	10,000	10,000	11,131	1,131
Miscellaneous	500	500	1,482	982
<i>Total receipts</i>	<u>744,842</u>	<u>744,842</u>	<u>757,265</u>	<u>12,423</u>
Disbursements				
Current:				
Library Services	770,653	772,937	742,466	30,471
Capital Outlay	1,000	7,860	7,726	134
<i>Total Disbursements</i>	<u>771,653</u>	<u>780,797</u>	<u>750,192</u>	<u>30,605</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,811)</u>	<u>(35,955)</u>	<u>7,073</u>	<u>43,028</u>
Other Financing Sources (Uses)				
Other Financing Uses		(56)		56
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(56)</u>	<u>0</u>	<u>56</u>
<i>Net Change in Fund Balance</i>	(26,811)	(36,011)	7,073	43,084
<i>Fund Balance Beginning of Year</i>	297,796	297,796	297,796	0
Prior Year Encumbrances Appropriated	<u>23,631</u>	<u>23,631</u>	<u>23,631</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$294,616</u>	<u>\$285,416</u>	<u>\$328,500</u>	<u>\$43,084</u>

See accompanying notes to the basic financial statements

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 1 – Description of the Library and Reporting Entity

The Wilmington Public Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Clinton County Board of County Commissioners and the Common Pleas Court Judge. Appointments are for seven-year terms and members serve without compensation. The Library also determines and operates under its own budget. Control and management of the Library is governed by the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer. The Library provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

The Friends of the Wilmington Public Library 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. 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 Note 2.C, the financial statements of the Wilmington Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

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.

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, except for fiduciary funds. The statement of net assets presents the financial condition 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 or draws from the Library's general receipts.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

Governmental Funds

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

General Fund - The general fund accounts for 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.

Building and Repair Fund – This fund is used for major repairs of Library owned buildings or for the construction and furnishing of new buildings or additions.

Land Acquisition and Improvement Fund – This fund accounts for monies set aside by the Board of Library Trustees specifically for future Library projects.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library has one agency fund, the Regional Library Fund, which accounts for funds held by the Library for the SWORL Group, an organization made up of local libraries that participated in interlibrary loan services.

C. Basis of Accounting

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

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

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

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

E. Cash and Cash Equivalents

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

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, respectively.

During 2006, investments were limited to treasury bills, STAR Ohio and certificates of deposit. Treasury bills are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 amounted to \$7,641 which includes \$248 assigned from other Library funds.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

F. Inventory and Prepaid Items

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

G. 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.

H. 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.

I. 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 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

J. 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. Net assets restricted for other purposes include resources restricted for capital projects, art books and library materials. There were no restrictions due to enabling legislation.

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

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transactions

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

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 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 year end (budgetary basis) amounted to \$11,420 for the General Fund and \$3,000 for the Building and Repair Fund.

Note 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 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 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;

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (continued)

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.

At year end, the Library had \$156 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 year end, \$258,781 of the Library's bank balance of \$564,305 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$317,487	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.

Note 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 2006, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Cincinnati Insurance Co.	Commercial Property	\$2,972,000
	General Liability	1,000,000
	Commercial Crime	5,000
	Inland Marine	64,949
Republic-Franklin Insurance Co.	Errors and Omissions	3,000,000

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 5 - Risk Management (continued)

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

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

The Library provides health insurance to full-time employees through a private carrier.

Note 6 – Grants-in-Aid

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

Note 7 - Defined Benefit Pension Plan

The Library participates 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 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension 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.

The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 percent of covered payroll.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2006, 2005, and 2004 were \$90,252, \$91,269, and \$78,524 respectively; the full amount has been contributed for 2006, 2005, and 2004.

Wilmington Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 8 – Post-employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 the retirement system meets the definition of an Other Post-employment benefit as described in *GASB Statement No. 12*.

A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll. The portion of employer contributions allocated to health care was 4.5 percent.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, and an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. Actual employer contributions which were used to fund post-employment benefits were \$17,892. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007 which will allow additional funds to be allocated to the health care plan.

Note 9 – Library Facilities

In addition to the main library, the Wilmington Public Library has a contract with the Clinton Massie School District wherein the School District has agreed to provide space and facilities for the operation of a joint library for public and student use. The Library pays \$5,000 annually for overall operating expenses. The Library employs its own staff, purchases its own materials, and maintains separate financial record keeping.



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*

Wilmington Public Library
Clinton County
268 North South Street
Wilmington, Ohio 45177

To the Board of Trustees:

We have audited the financial statements of the Wilmington Public Library, Clinton County, Ohio (the Library), as of and for the year ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 5, 2008, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. 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.

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.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

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

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

Mary Taylor, CPA
Auditor of State

June 5, 2008



Mary Taylor, CPA
Auditor of State

WILMINGTON TOWNSHIP

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2008**