



Mary Taylor, CPA
Auditor of State

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Troy-Miami County Public Library
Miami County
419 West Main Street
Troy, Ohio 45373

To Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy-Miami County Public Library, Miami County, (the Library), as of and for the years ended December 31, 2008 and 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. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy-Miami County Public Library, Miami County, as of December 31, 2008 and 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Ada Pressman Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2009, 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

August 4, 2009

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED**

This discussion and analysis of the Troy Miami County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Troy Miami County Public Library's financial performance.

Highlights

Key highlights for 2008 are as follows:

- Net Assets for governmental activities decreased \$341,450, or 23% thereby reducing the carryover to 2009. At the end of 2008, there was a fund balance in all funds of \$1,139,920 and of this amount \$35,847 was reserved to cover encumbrances at the end of 2008.
- The Library had a decrease in the General Fund balance of \$106,277, a decrease in the Ada Pressman Fund of \$163,388, and a decrease of \$79,285 in the Building and Repair Fund balance in 2008.
- Management of the Library continues to keep a close watch on all salary expenditures, insurance and benefits. Salary expenditures increased a modest 6.8 percent while the total salaries/benefits increased 9.4 percent. The Board continued to contract with United Health Care for medical coverage along with a partially self-funded health insurance by way of an HR Fund. This made the insurance premium substantially drop and the employees received substantial changes in health insurance benefits. The employees received the best coverage possible with a decrease in cost.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the 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.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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(Continued)**

Basis of Accounting

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

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

Reporting the Library as a Whole

The Library does not have any "business" type activities. Our only "activity" is to provide library services and materials to customers living in the State of Ohio. All individuals are welcome to use our facilities; however, to obtain a permanent card, you must be a resident of the state.

The Library was a very busy place circulating 678,964 items during 2008 and there were 288,000 visitors to the Library. This doesn't include the visits to the Local History Room, Oakes-Beitman Memorial branch, or the bookmobile. The main library and branches contain approximately 193,540 volumes of books and 170 periodical titles, with a cost price of over \$3,800,000.

The statement of net assets and the statement of activities reflect how the Library did financially during 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Library and 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 requirements of a particular program. The Library provides all programs to our participants free. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the Library only has one type of activity, Governmental.

Governmental Activities - All of the Library's basic services are reported here. Intergovernmental revenue (e.g. Library and Local Government Services Fund) finance most of these activities. Benefits provided through governmental activities are not paid for by the people receiving them, with the exception of fines for overdue materials.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into 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 has three major governmental funds at this time: the General Fund, the Ada Pressman Fund, and the Building and Repair Fund. The only non major fund is the Bookmobile Replacement Fund, listed in "other governmental funds". 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. The Library has one Agency Fund, for the purpose of a Flexible Spending Account (FSA) for unreimbursed medical/family care for employees under Section 125 of the IRS code. The FSA fund and cap are set annually by the Board and the cap for 2008 was \$1,300. At this time, no funds have been lost by the Library due to an employee leaving employment.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008 compared to 2007 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2008	2007
Assets		
Equity in Pooled Cash and Investments	\$1,139,920	\$1,481,370
Total Assets	<u>\$1,139,920</u>	<u>\$1,481,370</u>
Net Assets		
Restricted for:		
Capital Projects	\$205,699	\$277,483
Special Revenue	726,156	889,544
Unrestricted	208,065	314,343
Total Net Assets	<u>\$1,139,920</u>	<u>\$1,481,370</u>

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

As mentioned previously, net assets of governmental activities decreased \$341,450 or 23 percent during 2008. The primary reasons contributing to the decreases in cash balances was the decrease in revenues from the state and spending \$171,100 on a new building to house the bookmobile and extension department from the Ada Pressman Fund.

Table 2 reflects the changes in net assets on a modified cash basis in 2008 and 2007 for governmental activities.

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

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$48,673	\$47,809
Operating Grants and Contributions	33,040	30,643
Total Program Receipts	<u>81,713</u>	<u>78,452</u>
General Receipts:		
Intergovernmental	1,517,006	1,541,891
Unrestricted Gifts and Contributions	1,237	115,513
Interest	54,151	68,018
Miscellaneous	3,960	4,654
Total General Receipts	<u>1,576,354</u>	<u>1,730,076</u>
Total Receipts	<u>1,658,067</u>	<u>1,808,528</u>
Disbursements:		
Library Services:		
Public Service and Programs	325,883	232,051
Collection Development & Processing	323,700	293,423
Support Services:		
Facilities Operation and Maintenance	194,951	152,652
Information Services	201,515	155,734
Business Administration	744,031	781,035
Capital Outlay	209,437	31,607
Total Disbursements	<u>1,999,517</u>	<u>1,646,502</u>
(Decrease) in Net Assets	(341,450)	162,026
Net Assets, January 1	1,481,370	1,319,344
Net Assets, December 31	<u>\$1,139,920</u>	<u>\$1,481,370</u>

Public service and program expenditures represent almost 16 percent of total expenditures and are primarily comprised of salary related expenditures circulation desk activity.

Collection development and processing expenditures represent almost 16 percent of total expenditures. This includes all of our materials budget and personnel doing the purchasing and processing for the Library.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Facilities operation and maintenance at the library comprises only 9.7 percent of our expenditures which includes expenditures for maintenance of buildings with information services comprising only 10 percent of total expenditures.

The largest expenditure for 2008 is the business administration end which accounts for a little over 37 percent, which is comprised mostly of salaries and benefits.

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 on the Statement. The next column identifies the cost of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues. The 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 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Library Services:				
Public Service and Programs	\$325,883	\$232,051	(\$284,469)	(\$191,130)
Collection Development & Process.	323,700	293,423	(283,401)	(259,778)
Support Services:				
Facilities Operation and Maintenance	194,951	152,652	(194,951)	(152,652)
Information Services	201,515	155,734	(201,515)	(151,848)
Business Administration	744,031	781,035	(744,031)	(781,035)
Capital Outlay	209,437	31,607	(209,437)	(31,607)
Total Expenses	<u>\$1,999,317</u>	<u>\$1,646,502</u>	<u>(\$1,917,804)</u>	<u>(\$1,568,050)</u>

The dependence upon intergovernmental receipts is apparent as 95 percent of governmental activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts of \$1,658,067 and disbursements of \$1,999,517. The greatest change within governmental funds occurred within the Ada Pressman Fund. The fund balance of the Ada Pressman Fund decreased due to the purchase of a new building.

General Fund receipts were less than disbursements by \$106,277 due to the retirement of the director in June with a large payout in vacation and unused sick leave, decreased revenues from the state, a decrease in interest from 2007. The management of the Library has reduced spending in any area that they could in order to continue to take care of personnel needs and provide the excellent service the Library is noted for.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During 2008, the Library amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,831,189 while actual disbursements were only \$1,781,779. A substantial amount of the spending in 2008 was due to the large carryover of encumbrances from 2007. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2008, the Library had no outstanding debt.

Current Issues

The challenge for all Governments 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 intergovernmental funds (local library and government support fund). This has met with several freezes due to changes in legislation. Libraries have not received an increase in funding for a few years. The management of this library has planned for funding decreases in the past by careful spending during the so-called "good" years in order to continue to provide excellent service to the public.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, and taxpayers, 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 Teri Curtis, Clerk-Treasurer, Troy Miami County Public Library, Troy, Ohio 45373.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$1,139,920
Total Assets	<u>1,139,920</u>
Net Assets	
Restricted for:	
Capital Projects	205,699
Special Revenue	726,156
Unrestricted	<u>208,065</u>
Total Net Assets	<u>\$1,139,920</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services:				
Public Service and Programs	\$325,883	\$41,414		(\$284,469)
Collection Development and Processing	323,700	7,259	\$33,040	(283,401)
Support Services:				
Facilities Operation and Maintenance	194,951			(194,951)
Information Services	201,515			(201,515)
Business Administration	744,031			(744,031)
Capital Outlay	209,437			(209,437)
Total Governmental Activities	<u>\$1,999,517</u>	<u>\$48,673</u>	<u>\$33,040</u>	<u>(1,917,804)</u>
General Receipts				
Intergovernmental				1,517,006
Unrestricted Gifts and Contributions				1,237
Interest				54,151
Miscellaneous				3,960
Total General Receipts				<u>1,576,354</u>
Change in Net Assets				(341,450)
Net Assets Beginning of Year				<u>1,481,370</u>
Net Assets End of Year				<u>\$1,139,920</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	\$208,066	\$726,156	\$93,098	\$112,600	\$1,139,920
Total Assets	<u>208,066</u>	<u>726,156</u>	<u>93,098</u>	<u>112,600</u>	<u>1,139,920</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	31,847	4,000			35,847
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	176,219				176,219
Special Revenue Funds		722,156			722,156
Capital Projects Funds			93,098	112,600	205,698
Total Fund Balances	<u>\$208,066</u>	<u>\$726,156</u>	<u>\$93,098</u>	<u>\$112,600</u>	<u>\$1,139,920</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental	\$1,517,006				\$1,517,006
Patron Fines and Fees	48,673				48,673
Contributions, Gifts and Donations	34,277				34,277
Earnings on Investments	39,739	\$14,412			54,151
Miscellaneous	3,960				3,960
Total Receipts	<u>1,643,655</u>	<u>14,412</u>			<u>1,658,067</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	325,883				325,883
Collection Development and Processing	323,700				323,700
Support Services:					
Facilities Operation and Maintenance	164,463		\$30,488		194,951
Information Services	201,515				201,515
Business Administration	714,618	6,700	22,713		744,031
Capital Outlay	12,253	171,100	26,084		209,437
Total Disbursements	<u>1,742,432</u>	<u>177,800</u>	<u>79,285</u>		<u>1,999,517</u>
Excess of Receipts Over (Under) Disbursements	<u>(98,777)</u>	<u>(163,388)</u>	<u>(79,285)</u>		<u>(341,450)</u>
Other Financing Sources (Uses)					
Transfers In				\$7,500	7,500
Transfers Out	(7,500)				(7,500)
Total Other Financing Sources (Uses)	<u>(7,500)</u>			<u>7,500</u>	
Net Change in Fund Balances	(106,277)	(163,388)	(79,285)	7,500	(341,450)
Fund Balances Beginning of Year	<u>314,343</u>	<u>889,544</u>	<u>172,383</u>	<u>105,100</u>	<u>1,481,370</u>
Fund Balances End of Year	<u>\$208,066</u>	<u>\$726,156</u>	<u>\$93,098</u>	<u>\$112,600</u>	<u>\$1,139,920</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$1,553,897	\$1,553,897	\$1,517,006	(\$36,891)
Patron Fines and Fees	48,673	48,673	48,673	
Contributions, Gifts and Donations	34,277	34,277	34,277	
Earnings on Investments	39,739	39,739	39,739	
Miscellaneous	3,960	3,960	3,960	
Total receipts	<u>1,680,546</u>	<u>1,680,546</u>	<u>1,643,655</u>	<u>(36,891)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	325,883	325,883	328,483	(2,600)
Collection Development and Processing	373,089	373,089	324,803	48,286
Support Services:				
Facilities Operation and Maintenance	170,192	170,192	170,468	(276)
Information Services	212,530	212,530	217,029	(4,499)
Business Administration	726,995	726,995	721,243	5,752
Capital Outlay	15,000	15,000	12,253	2,747
Total Disbursements	<u>1,823,689</u>	<u>1,823,689</u>	<u>1,774,279</u>	<u>49,410</u>
Excess of Receipts Over (Under) Disbursements	<u>(143,143)</u>	<u>(143,143)</u>	<u>(130,624)</u>	<u>12,519</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Net Change in Fund Balance	(150,643)	(150,643)	(138,124)	12,519
Fund Balance Beginning of Year	267,154	267,154	267,154	
Prior Year Encumbrances Appropriated	<u>47,189</u>	<u>47,189</u>	<u>47,189</u>	
Fund Balance End of Year	<u><u>\$163,700</u></u>	<u><u>\$163,700</u></u>	<u><u>\$176,219</u></u>	<u><u>\$12,519</u></u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ADA PRESSMAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Earnings on Investments	\$14,412	\$14,412	\$14,412	
Total receipts	<u>14,412</u>	<u>14,412</u>	<u>14,412</u>	
Disbursements				
Current:				
Support Services:				
Facilities Operation and Maintenance	13,200	13,200	10,700	\$2,500
Capital Outlay	<u>171,100</u>	<u>171,100</u>	<u>171,100</u>	
Total Disbursements	<u>184,300</u>	<u>184,300</u>	<u>181,800</u>	<u>2,500</u>
Excess of Receipts Over (Under) Disbursements	<u>(169,888)</u>	<u>(169,888)</u>	<u>(167,388)</u>	<u>2,500</u>
Net Change in Fund Balance	(169,888)	(169,888)	(167,388)	2,500
Fund Balance Beginning of Year	889,544	889,544	889,544	
Prior Year Encumbrances Appropriated				
Fund Balance End of Year	<u><u>\$719,656</u></u>	<u><u>\$719,656</u></u>	<u><u>\$722,156</u></u>	<u><u>\$2,500</u></u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Troy-Miami County Public Library was founded in 1896. The Library is a county district library established under the laws of the State of Ohio in accordance with Section 3375.20 of the Ohio Revised Code. The Library has its own Board of Trustees of seven members, four of which are appointed by the County Commissioners and three who are appointed by the Judge of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Miami County Commissioners, although the County Commissioners serve in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the County Commissioners. The Library currently does not have a tax levy.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

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 Troy-Miami County Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library for the following reasons.

The Library does not have the ability to access any of the economic resources received or held by the Friends of the Troy-Miami County Public Library and;

The economic resources of the Friends of the Troy-Miami County Public Library are not significant to the Library.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Troy Miami County Public Library have been prepared on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. 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.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library, except for the agency funds. The activity of the agency fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. At this time, the Library has no business-type activities. Governmental activities generally are financed through intergovernmental receipts, earnings in investment and other nonexchange transactions.

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

2. Fund Financial Statements

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 all classified as governmental.

1. Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts (e.g. Library and Local Government Services Fund), 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.

Ada Pressman Fund - The Ada Pressman Fund was established by the Board to be used to fund any special project, i.e. building or otherwise, deemed appropriate by the Board of Library Trustees. Mrs. Pressman left no stipulations in her will.

Building and Repair Fund - The Building and Repair Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

2. Fiduciary Funds

Fiduciary funds include Agency Funds. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. At the present time, the only Fiduciary Fund the Library has is an Agency Fund. The Library's Agency Fund accounts for the employee Flexible Spending Account to hold the participating employee withdrawals and later reimbursement of approved reimbursements of unpaid medical expenses and/or approved dependant care expenses. At fiscal yearend December 31, 2008 the Agency Fund did not have a fund cash balance.

C. Basis of Accounting

The Library's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

The appropriations 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. Equity in Pooled Cash and Investments

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and 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 2008, investments were limited to Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Notes, STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2008 amounted to \$39,739, and \$14,412 earned was credited to the Ada Pressman Fund.

The Library also has a Petty Cash Fund of \$75 and change cash of \$135.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 modified 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 6 and 7, 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 the purchase of a new bookmobile. 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. There are no net assets restricted by enabling legislation at December 31, 2008.

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

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

At the end of 2008, the Board of Trustees voted to transfer \$7,500 from the General Fund to the Bookmobile Replacement Fund.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 and Ada Pressman Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the *modified* cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$31,847 for the General Fund.

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;

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Library had \$210 in cash on hand which is included under Equity in Pooled Cash and Investments on the financial statements. This is referring to our Petty Cash Fund and Change Cash.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Library's bank balance of \$242,094 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.

B. Investments

The Library pools all individual fund cash balances for investment purposes. The Library has an Investment Policy preserving and protecting all funds. This policy covers all funds under the direct control of the Clerk-Treasurer. Funds are invested in accordance with Section 135, Uniform Depository Act, of the *Ohio Revised Code*, as revised by Senate Bill 81.

As of December 31, 2008, the Library had the following investments:

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mtg Corp Step bonds	\$100,000	10-12-12
Federal Home Loan Mtg Corp Step bonds	100,000	02-04-13
Federal National Mtg Assn Step bonds	225,000	10-03-12
Federal National Mtg Assn bonds	100,000	08-22-13
Buckeye National Bank - CD	99,000	02-13-09
CF Bank Fairlawn Ohio – CD	99,000	12-03-09
Geauga Savings Bank Ohio - CD	98,000	02-13-12
Commerce National Bank Ohio – CD	99,000	04-30-12
STAR Ohio	9,634	
Total Investments	<u>\$929,634</u>	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments, or investments that have interest rates increasing as time goes on.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Bonds, and the Federal Home Loan Bank Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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 2008, the Library contracted with several companies for various types of insurance coverage as follows:

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

5. RISK MANAGEMENT (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
State Automobile Mutual Insurance Co.	Commercial Property	\$2,521,253
	General Liability	2,000,000
	Auto Liability	1,000,000
France & Associates Koverman, Dickerson Ins	Legal Liability	1,000,000
	Library Officials	50,000
	Fidelity and Deposit	1,500

Settled claims have not exceeded coverage in any of the last three years and there was no 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. In 2008, the Library paid \$10,535 in premiums.

6. DEFINED BENEFIT PENSION PLAN

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

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

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2008 was 14 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, 2008, 2007, and 2006 were \$121,468, \$116,336, and \$107,962, respectively; the full amount has been contributed for 2008, 2007, and 2006. The Library has a pick-up plan in effect for most staff members, picking up 8.5% of their contribution. The plan is limited to 8.5% only and will not increase when the employee share increases.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

7. POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 14 percent of covered payroll; 6 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 percent to 6 percent annually for the next nine years and 4.00 percent annually after 10 and beyond.

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

The number of active contributing participants in the traditional and combined plans was 363,503. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$59,410 for our library. The actual contribution and the actuarially required contribution amounts are the same. OPERS net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$39.8 billion and \$17.0 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, January 1, 2007, and, January 1, 2008, which will allow additional funds to be allocated to the health care plan.

8. INTERFUND TRANSFERS

The General Fund transferred \$7,500 to the Bookmobile Replacement Fund for the purchase of a new bookmobile when necessary.

9. RELATED ORGANIZATIONS

The Library does have a related organization through the Friends of the Troy-Miami County Public Library; however, the Library does not participate in management of this group in any way. The Friends have a separate board and maintain separate by-laws and budgets.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

This discussion and analysis of the Troy Miami County 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 modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Troy Miami County Public Library's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net Assets for governmental activities increased \$162,026, thereby increasing the fund balances for carryover to 2008. At the end of 2007, there was a fund balance of \$1,481,370 and of this amount, \$71,591 was reserved to cover encumbrances at the end of 2007.
- The Library had a slight increase in the General Fund balance of \$34,671 and a decrease of \$13,894 in the Building and Repair Fund Balance. Ada Pressman Fund had the largest increase of \$133,749 due to the receipt of the final distribution of funds from the bequest.
- The management of the Library continues to keep a close watch on all salary expenditures, insurance and benefits. Salary expenditures decreased a modest 5.6 percent while the total salaries/benefits only decreased 2.6 percent. Medical Mutual (Consumer's Life) was the insurer for the Library's employee health insurance at the beginning of 2007, but in January, the board voted to change to a high deductible policy with the Board paying the first \$2,500 for single plans and \$5,000 for each family plan. The employees received the best coverage with a decrease in cost to the Library.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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

Reporting the Library as a Whole

The Library does not have any "business" type activities. Our only "activity" is to provide library services and materials to customers living in the State of Ohio. All individuals are welcome to use our facilities; however, to obtain a permanent card, you must be a resident of the state.

The Library was a very busy place circulating 653,105 items during 2007 and there were 288,000 visitors to the Library. This doesn't include the visits to the Local History Room, Oakes-Beitman Memorial branch, or the bookmobile. The main library and branches contain approximately 193,540 volumes of books and 170 periodical titles, with a cost price of over \$3,800,000.

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Library and 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 requirements of a particular program. The Library provides all programs to our participants free. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the Library only has one type of activity, Governmental.

Governmental activities - Most of the Library's basic services are reported here. Intergovernmental revenues finance most of these activities. Benefits provided through governmental activities are not paid for by the people receiving them, with the exception of fines for overdue materials.

Reporting the Government's Most Significant Funds

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

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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 has three major governmental funds at this time: the General Fund, the Ada Pressman Fund and the Building and Repair Fund. The only non-major fund is the Bookmobile Replacement fund, listed in "other governmental funds". 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. The Library has one Agency Fund, for the purpose of a Flexible Spending Account (FSA) for unreimbursed medical/family care for employees under Section 125 of the IRS code. The FSA fund and cap are set annually by the Board and the cap for 2007 was \$1,300. At this time, no funds have been lost by the Library due to an employee leaving employment.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 on a modified cash basis: (The Library did not prepare financial statements in a GASB 34 format prior to 2007. In future years an analysis of current year and previous years will be presented)

**(Table 1)
Net Assets**

	Governmental Activities	
	2007	2006
Assets		
Equity in Pooled Cash and Investments	\$1,481,370	\$1,319,344
Total Assets	<u>1,481,370</u>	<u>1,319,344</u>
Net Assets		
Restricted for:		
Capital Projects	277,483	276,899
Special Revenue	889,544	755,795
Unrestricted	314,343	286,650
Total Net Assets	<u>\$1,481,370</u>	<u>\$1,319,344</u>

As mentioned previously, net assets of governmental activities increased \$162,026 or 12.2 percent during 2007. The primary reason contributing to the increases in cash balances are a significant decrease in health care and the final distribution for the Ada Pressman Fund.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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

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

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 47,809	\$ 48,918
Operating Grants and Contributions	30,643	22,991
Total Program Receipts	<u>78,452</u>	<u>71,909</u>
General Receipts:		
Intergovernmental	1,541,891	1,542,001
Unrestricted Gifts and Contributions	115,513	1,098
Interest	68,018	54,196
Miscellaneous	4,654	6,664
Total General Receipts	<u>1,730,076</u>	<u>1,603,959</u>
Total Receipts	<u>1,808,528</u>	<u>1,675,868</u>
Disbursements:		
Library Services:		
Public Service and Programs	232,051	324,366
Collection Development & Processing	293,423	329,020
Support Services:		
Facilities Operation and Maintenance	152,652	188,513
Information Services	155,734	192,155
Business Administration	781,035	611,566
Capital Outlay	31,607	87,044
Total Disbursements	<u>1,646,502</u>	<u>1,732,664</u>
(Decrease) in Net Assets	(162,026)	(56,796)
Net Assets, January 1	<u>1,319,444</u>	<u>1,376,140</u>
Net Assets, December 31	<u>\$1,481,370</u>	<u>\$1,319,344</u>

Public service and program expenditures represent 14 percent of total expenditures and are primarily comprised of salary related expenditures for circulation desk activity.

Collection development and processing expenditures make up a large portion of our expenditures of 17.8 percent. This includes all of our materials budget and personnel doing the purchasing and processing.

Facilities operation and maintenance at the library comprises only 9.3 percent of our expenditures which includes expenditures for maintenance of buildings with information services representing 9.4 percent of total expenditures.

The largest expenditure for 2007 is the business administration end which accounts for a little over 47 percent, which is comprised mostly of salaries and benefits.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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 on the Statement. The next column identifies the cost of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues. The 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	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
Library Services:				
Public Service and Programs	\$ 232,051	\$ 324,366	(\$ 191,130)	(\$ 282,501)
Collection Development & Process.	293,423	329,020	(259,778)	(306,908)
Support Services:				
Facilities Operation and Maintenance	152,652	188,513	(152,652)	(188,513)
Information Services	155,734	192,155	(151,848)	(184,223)
Business Administration	781,035	611,566	(781,035)	(611,566)
Capital Outlay	31,607	87,044	(31,607)	(87,044)
Total Expenses	<u>\$1,646,502</u>	<u>\$1,732,664</u>	<u>(\$1,568,050)</u>	<u>(\$1,660,755)</u>

The dependence upon intergovernmental receipts is apparent as over 95 percent of governmental activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts of \$1,808,528 and disbursements of \$1,646,502. The greatest change within governmental funds occurred within the Ada Pressman Fund. The fund balance of the Ada Pressman Fund increased \$133,749 as the result of receiving the last distribution of funds from the original bequest.

General Fund receipts were more than disbursements by \$42,171 due to increased interest rates. The management of the Library has reduced spending in any area that we could in order to continue to take care of personnel needs and provide the excellent service that the Library is noted for.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

General Fund Budgeting Highlights

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

During 2007, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to decreases in intergovernmental receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,766,727 while actual disbursements were only \$1,687,297. Although receipts failed to live up to expectations, appropriations were not reduced but the spending was. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the small increase in fund balance of \$24,209 for 2007.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

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

Current Issues

The challenge for all Governments 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 intergovernmental funds (local library and government support fund). This has met with several freezes due to changes in legislation. Libraries have not received an increase in funding for a few years. The management of this library has planned for funding decreases in the past by careful spending during the so-called "good" years in order to continue to provide excellent service to the public.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, and taxpayers, 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 Teri Curtis, Clerk-Treasurer, Troy Miami County Public Library, Troy, Ohio 45373.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$1,481,370
Total Assets	<u>1,481,370</u>
Net Assets	
Restricted for:	
Capital Projects	277,483
Special Revenue	889,544
Unrestricted	<u>314,343</u>
Total Net Assets	<u>\$1,481,370</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	232,051	40,921		(\$191,130)
Collection Development and Processing	293,423	6,888	26,757	(259,778)
Support Services:				
Facilities Operation and Maintenance	152,652			(152,652)
Information Services	155,734		3,886	(151,848)
Business Administration	781,035			(781,035)
Capital Outlay	31,607			(31,607)
Total Governmental Activities	\$1,646,502	\$47,809	\$30,643	(1,568,050)
 General Receipts				
Intergovernmental				1,541,891
Unrestricted Gifts and Contributions				115,513
Interest				68,018
Miscellaneous				4,654
Total General Receipts				1,730,076
 Change in Net Assets				 162,026
 Net Assets Beginning of Year				 1,319,344
 Net Assets End of Year				 \$1,481,370

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

	<u>General</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	\$314,343	\$889,544	\$172,383	\$105,100	\$1,481,370
Total Assets	<u>314,343</u>	<u>889,544</u>	<u>172,383</u>	<u>105,100</u>	<u>1,481,370</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	47,189		24,402		71,591
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	267,154				267,154
Special Revenue Funds		889,544			889,544
Capital Projects Funds			147,981	105,100	253,081
Total Fund Balances	<u>\$314,343</u>	<u>\$889,544</u>	<u>\$172,383</u>	<u>\$105,100</u>	<u>\$1,481,370</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

	<u>General</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental	\$1,545,777				\$1,545,777
Patron Fines and Fees	47,809				47,809
Contributions, Gifts and Donations	27,520	\$114,750			142,270
Earnings on Investments	49,019	18,999			68,018
Miscellaneous	4,654				4,654
Total Receipts	<u>1,674,779</u>	<u>133,749</u>			<u>1,808,528</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	232,051				232,051
Collection Development and Processing	293,423				293,423
Support Services:					
Facilities Operation and Maintenance	152,652				152,652
Information Services	155,734				155,734
Business Administration	781,035				781,035
Capital Outlay	17,713		\$13,894		31,607
Total Disbursements	<u>1,632,608</u>		<u>13,894</u>		<u>1,646,502</u>
Excess of Receipts Over (Under) Disbursements	<u>42,171</u>	<u>133,749</u>	<u>(13,894)</u>		<u>162,026</u>
Other Financing Sources (Uses)					
Transfers In				\$7,500	7,500
Transfers Out	(7,500)				(7,500)
Total Other Financing Sources (Uses)	<u>(7,500)</u>			<u>7,500</u>	
Net Change in Fund Balances	34,671	133,749	(13,894)	7,500	162,026
Fund Balances Beginning of Year	<u>279,672</u>	<u>755,795</u>	<u>186,277</u>	<u>97,600</u>	<u>1,319,344</u>
Fund Balances End of Year	<u>\$314,343</u>	<u>\$889,544</u>	<u>\$172,383</u>	<u>\$105,100</u>	<u>\$1,481,370</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$1,668,007	\$1,668,007	\$1,545,777	(\$122,230)
Patron Fines and Fees	48,235	48,235	47,809	(426)
Contributions, Gifts and Donations	12,500	12,500	27,520	15,020
Earnings on Investments	35,000	35,000	49,019	14,019
Miscellaneous	2,000	2,000	4,654	2,654
Total receipts	<u>1,765,742</u>	<u>1,765,742</u>	<u>1,674,779</u>	<u>(90,963)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	233,552	233,552	232,051	1,501
Collection Development and Processing	356,818	356,818	312,857	43,961
Support Services:				
Facilities Operation and Maintenance	162,837	162,837	153,479	9,358
Information Services	169,519	169,519	160,045	9,474
Business Administration	818,501	818,501	803,652	14,849
Capital Outlay	15,000	18,000	17,713	287
Total Disbursements	<u>1,756,227</u>	<u>1,759,227</u>	<u>1,679,797</u>	<u>79,430</u>
Excess of Receipts Over (Under) Disbursements	<u>9,515</u>	<u>6,515</u>	<u>(5,018)</u>	<u>(11,533)</u>
Other Financing Sources (Uses)				
Transfers Out	(7,500)	(7,500)	(7,500)	
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Net Change in Fund Balance	2,015	(985)	(12,518)	(11,533)
Fund Balance Beginning of Year	242,945	242,945	242,945	
Prior Year Encumbrances Appropriated	<u>36,727</u>	<u>36,727</u>	<u>36,727</u>	
Fund Balance End of Year	<u>\$281,687</u>	<u>\$278,687</u>	<u>\$267,154</u>	<u>(\$11,533)</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Contributions, Gifts and Donations		\$114,750	\$114,750	
Earnings on Investments	\$13,000	18,999	18,999	
Total receipts	<u>13,000</u>	<u>133,749</u>	<u>133,749</u>	
Net Change in Fund Balance	13,000	133,749	133,749	
Fund Balance Beginning of Year	755,795	755,795	755,795	
Prior Year Encumbrances Appropriated				
Fund Balance End of Year	<u>\$768,795</u>	<u>\$889,544</u>	<u>\$889,544</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Troy-Miami County Public Library was founded in 1896. The Library is a county district library established under the laws of the State of Ohio in accordance with Section 3375.20 of the Ohio Revised Code. The Library has its own Board of Trustees of seven members, four of which are appointed by the County Commissioners and three who are appointed by the Judge of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Miami County Commissioners, although the County Commissioners serve in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the County Commissioners. The Library currently does not have a tax levy.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

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 Troy-Miami County Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library for the following reasons.

The Library does not have the ability to access any of the economic resources received or held by the Friends of the Troy-Miami County Public Library.

The economic resources of the Friends of the Troy-Miami County Public Library are not significant to the Library.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Troy Miami County Public Library have been prepared on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. 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.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library, except for the agency funds. The activity of the agency fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. At this time, the Library has no business-type activities. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

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

2. Fund Financial Statements

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 all classified as governmental.

1. Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts (e.g. Library and Local Government Services Fund), 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.

Ada Pressman Fund - The Ada Pressman Fund was established by the Board to be used to fund any special project, i.e. building or otherwise, deemed appropriate by the Board of Library Trustees.

Building and Repair Fund - The Building and Repair Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

2. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. At the present time, the only Fiduciary Fund the Library has is an agency fund. The Library's Agency Fund accounts for the employee Flexible Spending Account to hold the participating employee withdrawals and later reimbursement of approved reimbursements of unpaid medical expenses and/or approved dependant care expenses. At fiscal year end December 31, 2007 the Agency Fund did not have a fund cash balance.

C. Basis of Accounting

The Library's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

The appropriations 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. Equity in Pooled Cash and Investments

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and 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 Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Bank Bonds, STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio these investments are recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2007 amounted to \$49,019, and \$18,999 earned was credited to the Ada Pressman Fund.

The Library also has a Petty Cash Fund of \$75 and change cash of \$135.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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 modified 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 6 and 7, 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 the purchase of a new bookmobile. 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. There are no net assets restricted by enabling legislation at December 31, 2007.

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

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.

At the end of 2007, the Board of Trustees voted to transfer \$7,500 from the General Fund to the Bookmobile Replacement Fund.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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 and Ada Pressman Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the *modified* cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$47,189 for the General Fund.

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;

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Library had \$210 in cash on hand which is included under Equity in Pooled Cash and Investments on the financial statements. This is referring to our Petty Cash Fund and Change Cash.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$88,732 of the Library's bank balance of \$375,848 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.

B. Investments

The Library pools all individual fund cash balances for investment purposes. The Library has an Investment Policy preserving and protecting all funds. This policy covers all funds under the direct control of the Clerk-Treasurer. Funds are invested in accordance with Section 135, Uniform Depository Act, of the *Ohio Revised Code*, as revised by Senate Bill 81.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$100,000	04-30-09
Federal National Mortgage Assn	200,000	09-17-08
Federal National Mortgage Assn	225,000	10-03-12
Federal Home Loan Mortgage Corp. Bonds	100,000	10-10-12
Federal Home Loan Mortgage Corp. Bonds.	100,000	12-15-12
Signature Bank National Assn - CD	99,000	07-18-08
CF Bank Fairlawn - CD	99,000	12-03-09
Geauga Savings Bank - CD	99,000	02-26-10
Commerce National Bank – CD	99,000	04-30-12
STAR Ohio	9,393	
Total Investments	<u>\$1,130,393</u>	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments, or investments that have interest rates increasing as time goes on.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Bonds and the Federal Home Loan Bank Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

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:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
State Automobile Mutual Insurance Co.	Commercial Property	\$2,521,253
	General Liability	2,000,000
	Auto Liability	1,000,000
France & Associates Koverman, Dickerson Ins	Legal Liability	1,000,000
	Library Officials	50,000
	Fidelity and Deposit	1,500

Settled claims have not exceeded coverage in any of the last three years and there was no 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. In 2007, the Library paid \$10,813 in premiums.

6. DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 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 \$116,336, \$107,962, and \$108,792 respectively; the full amount has been contributed for 2007, 2006, and 2005. The Library has a pick-up plan in effect for most staff members, picking up their 8.5% contribution. The plan is limited to 8.5% only and will not increase when the employee share increases.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

7. POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 6 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 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 premiums were assumed to increase .50 to 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$35,462 for the Library. The actual contribution and the actuarially required contribution amounts are the same. OPERS 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, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2007, which will allow additional funds to be allocated to the health care plan.

8. INTERFUND TRANSFERS

The general fund transferred \$7,500 to the bookmobile replacement fund for the purchase of a new bookmobile when necessary.

9. RELATED ORGANIZATIONS

The Library does have a related organization through the Friends of the Troy-Miami County Public Library; however, the Library does not participate in management of this group in any way. The Friends have a separate board and maintain separate by-laws and budgets.



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*

Troy-Miami County Public Library
Miami County
419 West Main Street
Troy, Ohio 45373

To Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy-Miami County Public Library, Miami County, (the Library), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 4, 2009, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

We noted certain matters that we reported to the Library's management in a separate letter dated August 4, 2009.

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 did note a certain noncompliance or other matter that we reported to the Library's management in a separate letter dated August 4, 2009.

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

August 4, 2009



Mary Taylor, CPA
Auditor of State

TROY-MIAMI COUNTY PUBLIC LIBRARY

MIAMI 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
AUGUST 25, 2009**