



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, 2006 and 2005, 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, 2006 and 2005, 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.

For the years ended December 31, 2006 and 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

May 29, 2007

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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, 2006, 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 2006 are as follows:

- Net Assets for governmental activities decreased \$56,796, or 4% thereby reducing the carryover to 2007. At the end of 2006, there was a fund balance in all funds of \$1,319,344 and of this amount \$43,705 was reserved to cover encumbrances at the end of 2006.
- The Library had a slight increase in the General Fund balance of \$8,049 and a decrease of \$86,472 in the Building and Repair Fund balance in 2006.
- Management of the Library continues to keep a close watch on all salary expenditures, insurance and benefits. Salary expenditures increased a modest 1.55 percent while the total salaries/benefits increased 4.6 percent. Summit Insurance was the insurer for the Library's employee health insurance at the beginning of 2006, but during the year the company was bought out by Medical Mutual (Consumer's Life) and the employees received substantial changes in health insurance benefits. For the first time in many years the employee's co pays for pharmacy expenses increased drastically. The board of trustees voted to keep the present contribution for single coverage, reduced employee/child contribution but had to increase the employee spouse and employee family coverage due to increases and restructuring of billing from the new company. Management is looking into a different type of coverage for health care at this time.

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, 2006
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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 652,477 items during 2006 and there were 290,000 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 182,356 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 2006, 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, 2006
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 2006 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 2006 compared to 2005 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2006	2005
Assets		
Equity in Pooled Cash and Investments	\$1,319,344	\$1,376,140
Total Assets	<u>\$1,319,344</u>	<u>\$1,376,140</u>
Net Assets		
Restricted for:		
Capital Projects	\$276,899	\$333,264
Special Revenue	755,795	741,668
Unrestricted	286,650	301,208
Total Net Assets	<u>\$1,319,344</u>	<u>\$1,376,140</u>

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

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

As mentioned previously, net assets of governmental activities decreased \$56,796 or 4 percent during 2006. The primary reasons contributing to the decreases in cash balances are a significant increase in health care expenditures and our expenditures for our circulation system has caused spending to go up in 2006 even though several expensive services were dropped, as in Moody's and Dun & Bradstreet.

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

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

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$48,918	\$46,747
Operating Grants and Contributions	22,991	6,735
Total Program Receipts	<u>71,909</u>	<u>53,482</u>
General Receipts:		
Intergovernmental	1,542,001	1,541,891
Unrestricted Gifts and Contributions	1,098	150
Interest	54,196	40,782
Miscellaneous	6,664	2,189
Total General Receipts	<u>1,603,959</u>	<u>1,585,012</u>
Total Receipts	<u>1,675,868</u>	<u>1,638,494</u>
Disbursements:		
Library Services:		
Public Service and Programs	324,366	256,954
Collection Development & Processing	329,020	501,639
Support Services:		
Facilities Operation and Maintenance	188,513	168,554
Information Services	192,155	178,611
Business Administration	611,566	506,259
Capital Outlay	87,044	33,385
Total Disbursements	<u>1,732,664</u>	<u>1,645,402</u>
 (Decrease) in Net Assets	 (56,796)	 (6,908)
 Net Assets, January 1	 <u>1,376,140</u>	 <u>1,383,048</u>
Net Assets, December 31	<u>\$1,319,344</u>	<u>\$1,376,140</u>

Public service and program expenditures represent almost 19 percent of total expenditures and are primarily comprised of salary related expenditures circulation desk activity.

Collection development and processing expenditures represent almost 19 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, 2006
UNAUDITED
(Continued)**

Facilities operation and maintenance at the library comprises only 10.9 percent of our expenditures which includes expenditures for maintenance of buildings with information services comprising only 11 percent of total expenditures.

The largest expenditure for 2006 is the business administration end which accounts for a little over 35 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 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Library Services:				
Public Service and Programs	\$324,366	\$256,954	(\$282,501)	(\$209,932)
Collection Development & Process.	329,020	501,639	(306,908)	(495,179)
Support Services:				
Facilities Operation and Maintenance	188,513	168,554	(188,513)	(168,554)
Information Services	192,155	178,611	(184,223)	(178,611)
Business Administration	611,566	506,259	(611,566)	(506,259)
Capital Outlay	87,044	33,385	(87,044)	(33,385)
Total Expenses	<u>\$1,732,664</u>	<u>\$1,645,402</u>	<u>(\$1,660,755)</u>	<u>(\$1,591,920)</u>

The dependence upon intergovernmental receipts is apparent as 95.8 percent of governmental activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts of \$1,675,868 and disbursements of \$1,732,664. The greatest change within governmental funds occurred within the Building and Repair Fund. The fund balance of the Building and Repair Fund decreased \$86,472 as the result of more of our repairs and capital expenditures being taken from our Building and Repair rather than the general fund, due to stagnant revenues in state funding.

General Fund receipts were more than disbursements by \$15,549 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, 2006
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During 2006, 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 \$1,747,518 while actual disbursements were only \$1,690,418. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of only \$8,049 for 2006.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, 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 Deetra Bissett, 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, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$1,319,344
Total Assets	<u>1,319,344</u>
Net Assets	
Restricted for:	
Capital Projects	276,899
Special Revenue	755,795
Unrestricted	286,650
Total Net Assets	<u>\$1,319,344</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, 2006**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services:				
Public Service and Programs	\$324,366	\$41,865		(\$282,501)
Collection Development and Processing	329,020	7,053	\$15,059	(306,908)
Support Services:				
Facilities Operation and Maintenance	188,513			(188,513)
Information Services	192,155		7,932	(184,223)
Business Administration	611,566			(611,566)
Capital Outlay	87,044			(87,044)
Total Governmental Activities	<u>\$1,732,664</u>	<u>\$48,918</u>	<u>\$22,991</u>	<u>(1,660,755)</u>
		General Receipts		
				1,542,001
				1,098
				54,196
				6,664
				<u>1,603,959</u>
				(56,796)
				1,376,140
				<u>\$1,319,344</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, 2006**

	<u>General Fund</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	\$279,672	\$755,795	\$186,277	\$97,600	\$1,319,344
Total Assets	<u>279,672</u>	<u>755,795</u>	<u>186,277</u>	<u>97,600</u>	<u>1,319,344</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	36,727		6,978		43,705
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	242,945				242,945
Special Revenue Funds		755,795			755,795
Capital Projects Funds			179,299	97,600	276,899
Total Fund Balances	<u>\$279,672</u>	<u>\$755,795</u>	<u>\$186,277</u>	<u>\$97,600</u>	<u>\$1,319,344</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, 2006**

	<u>General Fund</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental	\$1,549,823				\$1,549,823
Patron Fines and Fees	48,918				48,918
Contributions, Gifts and Donations	16,157				16,157
Earnings on Investments	40,069	\$14,127			54,196
Miscellaneous	6,774				6,774
Total Receipts	<u>1,661,741</u>	<u>14,127</u>			<u>1,675,868</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	324,366				324,366
Collection Development and Processing	329,020				329,020
Support Services:					
Facilities Operation and Maintenance	188,513				188,513
Information Services	192,155				192,155
Business Administration	611,566				611,566
Capital Outlay	572		\$86,472		87,044
Total Disbursements	<u>1,646,192</u>		<u>86,472</u>		<u>1,732,664</u>
Excess of Receipts Over (Under) Disbursements	<u>15,549</u>	<u>14,127</u>	<u>(86,472)</u>		<u>(56,796)</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	8,049	14,127	(86,472)	7,500	(56,796)
Fund Balances Beginning of Year	<u>271,623</u>	<u>741,668</u>	<u>272,749</u>	<u>90,100</u>	<u>1,376,140</u>
Fund Balances End of Year	<u>\$279,672</u>	<u>\$755,795</u>	<u>\$186,277</u>	<u>\$97,600</u>	<u>\$1,319,344</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, 2006**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$1,541,891	\$1,549,823	\$1,549,823	
Patron Fines and Fees	42,500	48,917	48,917	
Contributions, Gifts and Donations	12,500	16,157	16,157	
Earnings on Investments	20,000	40,069	40,069	
Miscellaneous	2,240	6,774	6,774	
Total receipts	<u>1,619,131</u>	<u>1,661,740</u>	<u>1,661,740</u>	
Disbursements				
Current:				
Library Services:				
Public Service and Programs	330,597	330,597	324,366	\$6,231
Collection Development and Processing	358,919	374,161	340,185	33,976
Support Services:				
Facilities Operation and Maintenance	198,566	198,667	188,771	9,896
Information Services	201,844	195,522	192,155	3,367
Business Administration	648,092	640,145	636,869	3,276
Capital Outlay	2,000	926	572	354
Total Disbursements	<u>1,740,018</u>	<u>1,740,018</u>	<u>1,682,918</u>	<u>57,100</u>
Excess of Receipts Over (Under) Disbursements	<u>(120,887)</u>	<u>(78,278)</u>	<u>(21,178)</u>	<u>57,100</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	(128,387)	(85,778)	(28,678)	57,100
Fund Balance Beginning of Year	224,105	224,105	224,105	
Prior Year Encumbrances Appropriated	<u>47,518</u>	<u>47,518</u>	<u>47,518</u>	
Fund Balance End of Year	<u>\$143,236</u>	<u>\$185,845</u>	<u>\$242,945</u>	<u>\$57,100</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, 2006**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Earnings on Investments	\$10,000	\$14,127	\$14,127	\$0
Total receipts	<u>10,000</u>	<u>14,127</u>	<u>14,127</u>	
Net Change in Fund Balance	10,000	14,127	14,127	
Fund Balance Beginning of Year	<u>741,668</u>	<u>741,668</u>	<u>741,668</u>	
Fund Balance End of Year	<u><u>\$751,668</u></u>	<u><u>\$755,795</u></u>	<u><u>\$755,795</u></u>	<u><u>\$0</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, 2006**

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, 2006
(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, 2006
(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 year end December 31, 2006 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, 2006
(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 2006, investments were limited to Federal National Mortgage Association 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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2006 amounted to \$40,069 and \$14,127 earned in 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, 2006
(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, 2006.

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 2006, 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, 2006
(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 \$36,727 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, 2006
(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, \$318,148 of the Library's bank balance of \$426,219 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, 2006, 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, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$150,000	1-28-08
Federal Home Loan Bank Bonds	125,000	5-24-07
Federal Home Loan Bank Bonds	100,000	4-30-09
Federal Home Loan Bank Bonds	100,000	1-05-07
Federal Home Loan Bank Bonds	150,000	3-13-09
Federal National Mortgage Assn Bonds	100,000	4-03-08
Champaign National Bank & Trust - CD	99,000	9-17-07
Delaware County Bank & Trust – CD	99,000	3-27-07
STAR Ohio	8,932	
Total Investments	<u>\$931,932</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 2006, 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, 2006
(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

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 2006, the Library paid \$5,182 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, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 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, 2006, 2005, and 2004 were \$107,962, \$108,792, and \$103,507, respectively; the full amount has been contributed for 2006, 2005, and 2004. 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, 2006
(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 13.7 percent of covered payroll; 4.5 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, 2005, 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 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$35,462 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, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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, 2005
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, 2005, 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 2005 are as follows:

- Net Assets for governmental activities decreased \$6,908, thereby reducing the fund balances for carryover to 2006. At the end of 2005, there was a fund balance of \$1,376,140 and of this amount, \$77,103 was reserved to cover encumbrances at the end of 2005.
- The Library had a slight increase in the General Fund balance of \$3,376 and a decrease of \$28,442 in the Building and Repair Fund Balance.
- The management of the Library continues to keep a close watch on all salary expenditures, insurance and benefits. Salary expenditures increased a modest 1.36 percent while the total salaries/benefits only increased .75 percent.

Using the Basic Financial Statements

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

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.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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 648,596 items during 2005 and there were 290,000 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 182,356 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 2005, 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
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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 2005 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 2005 on a modified cash basis: (The Library did not prepare financial statements in a GASB 34 format prior to 2005. In future years an analysis of current year and previous years will be presented)

**(Table 1)
Net Assets**

	Governmental Activities
	2005
Assets	
Equity in Pooled Cash and Investments	\$1,376,140
Total Assets	\$1,376,140
Net Assets	
Restricted for:	
Capital Projects	\$333,264
Special Revenue	741,668
Unrestricted	301,208
Total Net Assets	\$1,376,140

As mentioned previously, net assets of governmental activities decreased \$6,908 or less than 1 percent during 2005. The primary reason contributing to the decreases in cash balances are as follows:

Even though the state funding for public libraries has been stagnant, we are earning more in earnings on investment that has helped make up the difference. An increase in health care expenditures and salaries has contributed to the decrease in fund balance.

**TROY MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

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

	Governmental Activities
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$46,747
Operating Grants and Contributions	6,735
Total Program Receipts	53,482
General Receipts:	
Intergovernmental	1,541,891
Unrestricted Gifts and Contributions	150
Interest	40,782
Miscellaneous	2,189
Total General Receipts	1,585,012
Total Receipts	1,638,494
 Disbursements:	
Library Services:	
Public Service and Programs	256,954
Collection Development & Processing	501,639
Support Services:	
Facilities Operation and Maintenance	168,554
Information Services	178,611
Business Administration	506,259
Capital Outlay	33,385
Total Disbursements	1,645,402
Increase (Decrease) in Net Assets	(6,908)
Net Assets, January 1st	1,383,048
Net Assets, December 31st	\$1,376,140

Public service and program expenditures represent 16 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 30 percent. This includes all of our materials budget and personnel doing the purchasing and processing.

Facilities operation and maintenance at the library comprises only 10.2 percent of our expenditures which includes expenditures for maintenance of buildings with information services representing 10.8 percent of total expenditures.

The largest expenditure for 2005 is the business administration end which accounts for almost 31 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, 2005
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 2005	Net Cost of Services 2005
Library Services:		
Public Service and Programs	\$256,954	(\$209,932)
Collection Development & Process.	501,639	(495,179)
Support Services:		
Facilities Operation and Maintenance	168,554	(168,554)
Information Services	178,611	(178,611)
Business Administration	506,259	(506,259)
Capital Outlay	33,385	(33,385)
Total Expenses	\$1,645,402	(\$1,591,920)

The dependence upon intergovernmental receipts is apparent as over 96 percent of governmental activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts of \$1,638,494 and disbursements of \$1,645,402. The greatest change within governmental funds occurred within the Building and Repair Fund. The fund balance of the Building and Repair Fund decreased \$28,442 as the result of more of our repairs and capital expenditures being taken from our Building and Repair rather than the general fund, due to decreased revenues in state funding.

General Fund receipts were more than disbursements by \$10,876 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, 2005
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 2005, 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 \$1,711,750 while actual disbursements were only \$1,671,979. 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 \$3,376 for 2005.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, 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 Deetra Bissett, 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, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$1,376,140
Total Assets	<u>1,376,140</u>
Net Assets	
Restricted for:	
Capital Projects	333,264
Special Revenue	741,668
Unrestricted	301,208
Total Net Assets	<u>\$1,376,140</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, 2005**

	<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	\$256,954	\$46,747	\$275	(\$209,932)
Collection Development and Processing	501,639		6,460	(495,179)
Support Services:				
Facilities Operation and Maintenance	168,554			(168,554)
Information Services	178,611			(178,611)
Business Administration	506,259			(506,259)
Capital Outlay	33,385			(33,385)
Total Governmental Activities	<u>\$1,645,402</u>	<u>\$46,747</u>	<u>\$6,735</u>	<u>(1,591,920)</u>
		General Receipts		
		Intergovernmental		1,541,891
		Unrestricted Gifts and Contributions		150
		Interest		40,782
		Miscellaneous		2,189
		Total General Receipts		1,585,012
		Change in Net Assets		(6,908)
		Net Assets Beginning of Year		1,383,048
		Net Assets End of Year		<u>\$1,376,140</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, 2005**

	<u>General Fund</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	\$271,623	\$741,668	\$272,749	\$90,100	\$1,376,140
Total Assets	<u>271,623</u>	<u>741,668</u>	<u>272,749</u>	<u>90,100</u>	<u>1,376,140</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	47,518		29,585		77,103
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	224,105				224,105
Special Revenue Funds		741,668			741,668
Capital Projects Funds			243,164	90,100	333,264
Total Fund Balances	<u>\$271,623</u>	<u>\$741,668</u>	<u>\$272,749</u>	<u>\$90,100</u>	<u>\$1,376,140</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
OR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Ada Pressman Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Intergovernmental	\$1,541,891				\$1,541,891
Patron Fines and Fees	46,747				46,747
Contributions, Gifts and Donations	6,610				6,610
Earnings on Investments	30,124	\$10,658			40,782
Miscellaneous	2,464				2,464
Total Receipts	<u>1,627,836</u>	<u>10,658</u>			<u>1,638,494</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	256,954				256,954
Collection Development and Processing	501,639				501,639
Support Services:					
Facilities Operation and Maintenance	168,554				168,554
Information Services	178,611				178,611
Business Administration	506,259				506,259
Capital Outlay	4,943		\$28,442		33,385
Total Disbursements	<u>1,616,960</u>		<u>28,442</u>		<u>1,645,402</u>
Excess of Receipts Over (Under) Disbursements	<u>10,876</u>	<u>10,658</u>	<u>(28,442)</u>		<u>(6,908)</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	3,376	10,658	(28,442)	7,500	(6,908)
Fund Balances Beginning of Year	<u>268,247</u>	<u>731,010</u>	<u>301,191</u>	<u>82,600</u>	<u>1,383,048</u>
Fund Balances End of Year	<u>\$271,623</u>	<u>\$741,668</u>	<u>\$272,749</u>	<u>\$90,100</u>	<u>\$1,376,140</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, 2005**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$1,598,819	\$1,542,166	\$1,542,166	
Patron Fines and Fees	52,280	46,747	46,747	
Contributions, Gifts and Donations	12,500	6,610	6,610	
Earnings on Investments	12,000	30,124	30,124	
Miscellaneous	2,125	2,189	2,189	
Total receipts	<u>1,677,724</u>	<u>1,627,836</u>	<u>1,627,836</u>	
Disbursements				
Current:				
Library Services:				
Public Service and Programs	258,322	256,954	256,954	
Collection Development and Processing	574,803	554,476	527,444	\$27,032
Support Services:				
Facilities Operation and Maintenance	176,431	175,156	169,129	6,027
Information Services	165,116	180,880	178,974	1,906
Business Administration	525,077	529,784	527,035	2,749
Capital Outlay	7,262	7,000	4,943	2,057
Total Disbursements	<u>1,707,011</u>	<u>1,704,250</u>	<u>1,664,479</u>	<u>39,771</u>
Excess of Receipts Over (Under) Disbursements	<u>(29,287)</u>	<u>(76,414)</u>	<u>(36,643)</u>	<u>39,771</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(5,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(7,500)</u>	<u>(7,500)</u>	
Net Change in Fund Balance	(34,287)	(83,914)	(44,143)	39,771
Fund Balance Beginning of Year	234,984	234,984	234,984	
Prior Year Encumbrances Appropriated	<u>33,264</u>	<u>33,264</u>	<u>33,264</u>	
Fund Balance End of Year	<u><u>\$233,961</u></u>	<u><u>\$184,334</u></u>	<u><u>\$224,105</u></u>	<u><u>\$39,771</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>(Optional) Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Earnings on Investments	\$10,230	\$10,658	\$10,658	\$0
Total receipts	<u>10,230</u>	<u>10,658</u>	<u>10,658</u>	
Net Change in Fund Balance	10,230	10,658	10,658	
Fund Balance Beginning of Year	<u>731,010</u>	<u>731,010</u>	<u>731,010</u>	
Fund Balance End of Year	<u><u>\$741,240</u></u>	<u><u>\$741,668</u></u>	<u><u>\$741,668</u></u>	<u><u>\$0</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, 2005**

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, 2005
(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, 2005
(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, 2005 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, 2005
(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 2005, 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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2005 amounted to \$30,124 and \$10,658 earned in 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, 2005
(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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for 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, 2005.

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 2005, 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, 2005
(Continued)**

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

In 2004 the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and 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 \$47,518 for the General Fund.

5. 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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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, \$479,692 of the Library's bank balance of \$589,361 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, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2005, the Library had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$150,000	1-28-08
Federal Home Loan Bank Bonds	125,000	5-24-07
Federal Home Loan Bank Bonds	100,000	4-30-09
Federal Home Loan Mortgage Corp. Bonds	50,000	12-29-06
Champaign National Bank & Trust - CD	99,000	9-17-07
Delaware County Bank & Trust - CD	99,000	3-27-07
Commerce National Bank, Columbus - CD	99,000	8-11-06
The Ohio State Bank, Marion – CD	99,000	6-23-06
STAR Ohio	8,507	
Total Investments	<u>\$829,507</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, 2005
(Continued)**

6. 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 2005, 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	\$2,424,272
	General Liability	2,000,000
	Auto Liability	1,000,000
France & Associates Koverman, Dickerson Ins	Legal Liability	1,000,000

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 2005, the Library paid \$1,389 in premiums.

7. DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, 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, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 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, 2005, 2004, and 2003 were \$108,792, \$103,507, and \$103,320 respectively; the full amount has been contributed for 2005, 2004, and 2003. 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, 2005
(Continued)**

8. 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 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, 2004, include a rate of return on investments of 8.00 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 1.00 to 6.00 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$32,116 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, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 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, 2006, which will allow additional funds to be allocated to the health care plan.

9. INTERFUND TRANSFERS

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

10. 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, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 29, 2007, wherein we noted the Library revised its financial statements for 2005 and 2006, making them comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for the State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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.

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

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 a certain matter that we reported to the Library's management in a separate letter dated May 29, 2007.

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 certain noncompliance or other matters that we reported to the Library's management in a separate letter dated May 29, 2007.

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.



Mary Taylor, CPA
Auditor of State

May 29, 2007



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 2, 2007**