



Mary Taylor, CPA  
Auditor of State



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tipp City Public Library  
Miami County  
11 East Main Street  
Tipp City, Ohio 45371

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tipp City Public Library, Miami County, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

September 24, 2008

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

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

**Highlights**

Key highlights for 2007 are as follows:

- The Library sold the property at 19 E Main Street, Tipp City, Ohio, in August of 2007.
- The Library's general receipts are primarily Grants and Entitlements not Restricted to Specific Programs. These receipts represent 90 percent of the total cash received for Library activities during the year. Grants and Entitlements not Restricted to Specific Programs for 2007 was the same as compared to 2006 as there is a current freeze on these funds.
- Net assets of the Library's activities increased \$131,249 or 33%.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the condition of the Library's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as grants and entitlements not restricted to a specific program.

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

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

**Governmental Funds** – All 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are directly related to those reported in the governmental activities section of the entity-wide statements.



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**The Library as a Whole**

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

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$528,561	\$397,312
Total Assets	<u>528,561</u>	<u>397,312</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Capital Outlay	125,207	10,789
Other Purposes	13,264	15,360
Unrestricted	390,090	371,163
Total Net Assets	<u>\$528,561</u>	<u>\$397,312</u>

As mentioned previously, net assets of governmental activities increased 33% percent during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- In 2007, the Library was able to increase the interest income they received from their investments. During 2006, the total for the year was \$17,859 and this rose to \$23,128. A 30% percent increase.
- The Library sold the property at 19 E Main Street which was purchased in 2006.

Table 2 reflects the changes in net assets in 2007.

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$17,306	\$18,715
Operating Grants and Contributions	15,086	24,723
Total Program Receipts	<u>32,392</u>	<u>43,438</u>
<b>General Receipts:</b>		
Grants and Entitlements Not Restricted	580,154	580,154
Unrestricted Gifts and Contributions	983	1,866
Interest	23,128	17,859
Miscellaneous	10,438	8,023
Total General Receipts	<u>614,703</u>	<u>607,902</u>
Total Receipts	<u>647,095</u>	<u>651,340</u>

(Continued)

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

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

<b>Disbursements:</b>		
Library Services	535,330	545,918
Support Services	139,901	99,401
Capital Outlay	11,096	105,620
Total Disbursements	<u>686,327</u>	<u>750,939</u>
Excess (Deficiency) Before Extraordinary Items	(39,232)	(99,599)
Extraordinary Item - Sale of Property	<u>170,481</u>	<u>                    </u>
Increase in Net Assets	131,249	(99,599)
Net Assets, January 1	<u>397,312</u>	<u>496,911</u>
Net Assets, December 31	<u><u>\$528,561</u></u>	<u><u>\$397,312</u></u>

Program receipts represent only 5 percent of total receipts and are primarily comprised of restricted receipts such as grants and contributions from local organizations and fees and charges to patrons for services such as copying, faxes and late fines.

General receipts represent 95 percent of the Library's total receipts, and of this amount, 94 percent are Grant and Entitlements not Restricted (Local Library Government Service Fund). Non-restricted gifts and contributions and interest income make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. They include rental income from property and sale of assets (excluding the extraordinary item).

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the internal services such as payroll and purchasing along with other costs associated with the operation of a facility. These costs do not represent direct services to residents.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Library. The major program disbursements for Library activities are for Public Service and Programs and Facilities Operation and Maintenance, which account for 69 and 12 percent of all Library disbursements, respectively. The next two columns of the Statement entitled Program Cash 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 (Disbursement) Receipts and Changes column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local funds. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2007</b>	<b>Net Cost of Services 2007</b>
	Public Service and Programs	\$473,631
Collection Development and Processing	61,699	44,327
Facilities Operation and Maintenance	84,023	84,023
Information Services	7,658	7,658
Business Administration	48,220	46,464
Capital Outlay	11,096	(2,168)
<b>Total Expenses</b>	<b>\$686,327</b>	<b>\$653,935</b>

The dependence upon Grant and Entitlements is apparent as over 95 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

The General Fund had receipts of \$802,490 and disbursements of \$783,563. General Fund receipts were greater than disbursements by \$18,927 indicating the General Fund is in a positive spending situation. This positive is mainly due to the sale of the 19 E. Main property. This property was purchased with the intent to use as an additional Library facility or for expansion. When it was determined that neither would be feasible the property was sold.

The Building Fund had \$147,503 in transfers from General Fund and disbursements of \$33,085. Building Fund disbursements were less than receipts by \$114,418, indicating the Building Fund was in a positive spending situation.

Other Governmental Funds had receipts of \$15,086 and disbursements of \$17,182. Other Governmental Funds receipts were less than disbursements by \$2,096, indicating the Other Governmental Funds were in a negative spending situation.

**General Fund Budgeting Highlights**

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

During 2007, the Library amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was significant due to the Library amending budgeted receipts for sale of property.

Final disbursements were budgeted at \$829,529 while actual disbursements were \$783,563.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on Government Grants in Aid (LLGSF). Our newly prepared financial forecast predicts no increase in the fund balance for 2008.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Della J. Stearns, Fiscal Officer, Tipp City Public Library, 11 E. Main Street, Tipp City, Ohio, 45371.

TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$528,561
Total Assets	<u>528,561</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	125,207
Other Purposes	13,264
Unrestricted	390,090
Total Net Assets	<u>\$528,561</u>

*See accompanying notes to the basic financial statements.*

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<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>
<b>Governmental Activities</b>				
<b>Library Services:</b>				
Public Service and Programs	\$473,631			(\$473,631)
Collection Development and Processing	61,699	\$17,306	\$66	(44,327)
<b>Support Services:</b>				
Facilities Operation and Maintenance	84,023			(84,023)
Information Services	7,658			(7,658)
Business Administration	48,220		1,756	(46,464)
Capital Outlay	11,096		13,264	2,168
Total Governmental Activities	<u>\$686,327</u>	<u>\$17,306</u>	<u>\$15,086</u>	<u>(\$653,935)</u>
<b>General Receipts</b>				
Unrestricted Gifts and Contributions				983
Grants and Entitlements not Restricted to Specific Programs				580,154
Interest				23,128
Miscellaneous				10,438
Total General Receipts				614,703
Extraordinary Item - Sale of Property				170,481
Total General Receipts and Extraordinary Item				<u>785,184</u>
Change in Net Assets				131,249
Net Assets Beginning of Year				<u>397,312</u>
Net Assets End of Year				<u>\$528,561</u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$390,090	\$125,207	\$13,264	\$528,561
Total Assets	<u>390,090</u>	<u>125,207</u>	<u>13,264</u>	<u>528,561</u>
<b>Fund Balances</b>				
<b>Unreserved:</b>				
<b>Undesignated (Deficit), Reported in:</b>				
General Fund	390,090			390,090
Special Revenue Funds			13,264	13,264
Capital Projects Funds		125,207		125,207
Total Fund Balances	<u>\$390,090</u>	<u>\$125,207</u>	<u>\$13,264</u>	<u>\$528,561</u>

*See accompanying notes to the basic financial statements.*

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Governmental Grants in Aid	\$580,154			\$580,154
Patron Fines and Fees	17,306			17,306
Contributions, Gifts and Donations	983		\$15,086	16,069
Earnings on Investments	23,128			23,128
Miscellaneous	10,438			10,438
Total Receipts	<u>632,009</u>		<u>15,086</u>	<u>647,095</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Service and Programs	473,631			473,631
Collection Development and Processing	56,837		4,862	61,699
<b>Support Services:</b>				
Facilities Operation and Maintenance	50,938	\$33,085		84,023
Information Services	7,658			7,658
Business Administration	46,801		1,419	48,220
Capital Outlay	195		10,901	11,096
Total Disbursements	<u>636,060</u>	<u>33,085</u>	<u>17,182</u>	<u>686,327</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,051)</u>	<u>(33,085)</u>	<u>(2,096)</u>	<u>(39,232)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		147,503		147,503
Transfers Out	(147,503)			(147,503)
Total Other Financing Sources (Uses)	<u>(147,503)</u>	<u>147,503</u>		
<b>Extraordinary Items</b>				
Extraordinary Item - Sale of Assets	170,481			170,481
Net Change in Fund Balances	18,927	114,418	(2,096)	131,249
Fund Balances Beginning of Year	<u>371,163</u>	<u>10,789</u>	<u>15,360</u>	<u>397,312</u>
Fund Balances End of Year	<u>\$390,090</u>	<u>\$125,207</u>	<u>\$13,264</u>	<u>\$528,561</u>

*See accompanying notes to the basic financial statements.*



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u>Budgeted Amounts</u>			<b>(Optional) Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts</b>				
Governmental Grants in Aid	\$627,607	\$580,154	\$580,154	
Patron Fines and Fees	1,788	17,358	17,306	(\$52)
Contributions, Gifts and Donations		986	983	(3)
Earnings on Investments	17,561	23,197	23,128	(69)
Miscellaneous	7,151	10,469	10,438	(31)
Total receipts	<u>654,107</u>	<u>632,164</u>	<u>632,009</u>	<u>(155)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	479,821	482,156	473,631	8,525
Collection Development and Processing	76,989	84,989	56,837	28,152
Support Services:				
Facilities Operation and Maintenance	51,930	58,246	50,938	7,308
Information Services	9,740	7,832	7,658	174
Business Administration	37,796	48,303	46,801	1,502
Capital Outlay	500	500	195	305
Total Disbursements	<u>656,776</u>	<u>682,026</u>	<u>636,060</u>	<u>45,966</u>
Excess of Receipts Over (Under) Disbursements	<u>(2,669)</u>	<u>(49,862)</u>	<u>(4,051)</u>	<u>45,811</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out		(147,503)	(147,503)	
Total Other Financing Sources (Uses)		<u>(147,503)</u>	<u>(147,503)</u>	
<b>Extraordinary Items</b>				
Extraordinary Item - Sale of Property		<u>170,990</u>	<u>170,481</u>	<u>(509)</u>
Net Change in Fund Balance	(2,669)	(26,375)	18,927	45,302
Fund Balance Beginning of Year	<u>371,163</u>	<u>371,163</u>	<u>371,163</u>	
Fund Balance End of Year	<u>\$368,494</u>	<u>\$344,788</u>	<u>\$390,090</u>	<u>\$45,302</u>

See accompanying notes to the basic financial statements.

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**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Tipp City Public Library (Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own seven member Board of Trustees (Board) appointed by the Tipp City Board of Education (Board of Education). 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 Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy are discretionary decisions made solely by the Board. Once those decisions are made, the Board of Education has no discretion and must place the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statements No. 14 and 39 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Tipp City Exempted Village School District.

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

The Friends of the Tipp City 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.

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library has no business-type activities.

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

**Building Fund** - The building fund accounts for all activities related to maintain the building utilized by the Library. Resources of this fund are restricted as to a use for a particular purpose.

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

**C. Basis of Accounting**

The Library's financial statements are prepared using the 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 cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Board may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Board.

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 Board during the year.

**E. Cash and Cash Equivalents**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, investments were limited to nonnegotiable certificates of deposits. Certificate of Deposits are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2007 amounted to \$23,128 which includes \$4,112 assigned from other library funds.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$13,264 in the Special Revenue Fund for restrictions imposed by the contributor and \$125,207 in the Building Fund for capital improvements.

**G. 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.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**K. 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.

**L. Long-Term Obligations**

The Library's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. 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. The Library has net assets restricted for capital projects and other purposes. Of the Library's \$138,471 in restricted net assets \$0 was restricted by enabling legislation.

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

**N. 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. The Library has no fund balance reserves.

**O. Interfund Transactions**

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**4. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 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 may be deposited or invested in the following securities:

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



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$150 cash on hand.

**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, \$429,311 of the Library's bank balance of \$532,731 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 that are not covered by the federal deposit insurance deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**5. LIBRARY AND LOCAL GOVERNMENT SUPPORT**

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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 2007, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Motorists Mutual Insurance Company	Commercial Property	\$1,700,000
Motorists Mutual Insurance Company	Commercial Crime	15,000
Motorists Mutual Insurance Company	Inland Marine	1,675,000
Motorists Mutual Insurance Company	Vehicle	1,000,000
Utica National Insurance Group	Errors and Omissions	1,000,000
Utica National Insurance Group	Library Officials	1,000,000
Motorists Mutual Insurance Company	General Liability	\$1,000,000

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

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

**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) 222-6705 or (800) 222-7377.

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$52,860, \$54,698, and \$49,535 respectively; the full amount has been contributed for 2007, 2006, and 2005. Contributions to the member-directed plan for 2007 were \$768 made by the Library and \$527 made by the plan members.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**8. POST-EMPLOYMENT BENEFITS**

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

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

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

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

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5.00 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the Traditional Pension and Combined plans had 374,979 active contributing participants. Actual employer contributions for 2007 which were used to fund post-employment benefits were \$21,290. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**9. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2007, the City has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions"

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other post-employment benefits (OPEB)."

There was no effect on fund balance/net assets as a result of the implementation of this new standard.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

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

**Highlights**

Key highlights for 2006 are as follows:

- The Library purchased property at 19 E Main Street, Tipp City, Ohio, in October of 2006.
- The Library's general receipts are primarily Grants and Entitlements not Restricted to Specific Programs. These receipts represent 89 percent of the total cash received for Library activities during the year. Grants and Entitlements not Restricted to Specific Programs for 2006 was the same as compared to 2005 as there is a current freeze on these funds.
- Net assets of the Library's activities decreased \$99,599 or 20%
- The Library has a new director, Mark Mabelitini.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the condition of the Library's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as grants and entitlements not restricted to a specific program.

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

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

**Governmental Funds** – All 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are directly related to those reported in the governmental activities section of the entity-wide statements.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**The Library as a Whole**

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

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$397,312	\$496,911
Total Assets	<u>397,312</u>	<u>496,911</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Capital Outlay	10,789	87,224
Other Purposes	15,360	16,205
Unrestricted	<u>371,163</u>	<u>393,482</u>
Total Net Assets	<u>\$397,312</u>	<u>\$496,911</u>

As mentioned previously, net assets of governmental activities decreased 20% percent during 2006. The primary reason contributing to the decreases in cash balances is as follows:

- The Library increased Capital Outlay expenditures in 2006 over 2005 as it purchased the 19 E Main Street property. 2006 Capital Outlay was \$105,620 while 2005 Capital Outlay was \$26,406. The intent of this purchase was for the consideration of expansion.

Table 2 reflects the changes in net assets in 2006.

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

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$ 18,715	\$ 18,545
Operating Grants and Contributions	<u>24,723</u>	<u>28,100</u>
Total Program Receipts	<u>43,438</u>	<u>46,645</u>
<b>General Receipts:</b>		
Grants and Entitlements Not Restricted	580,154	580,154
Unrestricted Gifts and Contributions	1,866	2,808
Interest	17,859	12,262
Miscellaneous	<u>8,023</u>	<u>5,835</u>
Total General Receipts	<u>607,902</u>	<u>601,059</u>
Total Receipts	<u>651,340</u>	<u>647,704</u>

(Continued)

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

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

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Disbursements:</b>		
Library Services	545,918	503,341
Support Services	99,401	76,362
Capital Outlay	105,620	26,406
Total Disbursements	<u>750,939</u>	<u>606,109</u>
Increase in Net Assets	(99,599)	41,595
Net Assets, January 1	<u>496,911</u>	<u>455,316</u>
Net Assets, December 31	<u>\$397,312</u>	<u>\$496,911</u>

Program receipts represent only 7 percent of total receipts and are primarily comprised of restricted receipts such as grants and contributions from local organizations and fees and charges to patrons for services such as copying, faxes and late fines.

General receipts represent 93 percent of the Library's total receipts, and of this amount, 95 percent are Grant and Entitlements not Restricted (Local Library Government Service Fund). Non-restricted gifts and contributions and interest income make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources. They include rental income from property and sale of assets.

Disbursements for general government represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the internal services such as payroll and purchasing along with other costs associated with the operation of a facility. These costs do not represent direct services to residents.

**Governmental Activities**

If you look at the Statement of Activities on page 32, you will see that the first column lists the major services provided by the Library. The major program disbursements for Library activities are for Public Service and Programs and Capital Outlay, which account for 65 and 14 percent of all Library disbursements, respectively. The next two columns of the Statement entitled Program Cash 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 (Disbursement) Receipts and Changes column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local funds. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2006</b>	<b>Net Cost of Services 2006</b>
	Public Service and Programs	\$492,866
Collection Development and Processing	53,052	28,487
Facilities Operation and Maintenance	29,340	29,340
Information Services	18,771	18,771
Business Administration	51,290	45,481
Capital Outlay	105,620	92,556
<b>Total Expenses</b>	<b>\$750,939</b>	<b>\$707,501</b>

The dependence upon Grant and Entitlements is apparent as over 94 percent of Governmental activities are supported through these general receipts.

**The Library's Funds**

The General Fund had receipts of \$626,790 and disbursements of \$649,109. General Fund disbursements were greater than receipts by \$22,319 indicating the General Fund was in a negative spending situation.

The Building Fund had \$22,000 in transfers from General Fund and disbursements of \$98,435 for the purchase of the 19 E. Main Street property. Building Fund disbursements were greater than receipts by \$76,435, indicating the Building Fund was in a negative spending situation.

Other Governmental Funds had receipts of \$24,723 and disbursements of \$25,568. Other Governments Funds receipts were less than disbursements by \$845, indicating the Other Governmental Funds were in a negative spending situation.

**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 \$653,666 while actual disbursements were \$649,109.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on Government Grants in Aid (LLGSF). Our newly prepared financial forecast predicts no increase in the fund balance for 2007.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Della J. Stearns, Fiscal Officer, Tipp City Public Library, 11 E. Main Street, Tipp City, Ohio, 45371.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$397,312
Total Assets	<u>397,312</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Capital Projects	10,789
Other Purposes	15,360
Unrestricted	371,163
Total Net Assets	<u>\$397,312</u>

*See accompanying notes to the basic financial statements.*

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - 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>
<b>Governmental Activities</b>			<u>Governmental Activities</u>
Library Services:			
Public Service and Programs	\$492,866		(\$492,866)
Collection Development and Processing	53,052	\$18,715	\$5,850
Support Services:			
Facilities Operation and Maintenance	29,340		(29,340)
Information Services	18,771		(18,771)
Business Administration	51,290		5,809
Capital Outlay	105,620		13,064
Total Governmental Activities	<u>\$750,939</u>	<u>\$18,715</u>	<u>\$24,723</u>
			<u>(\$707,501)</u>
<b>General Receipts</b>			
			1,866
			580,154
			17,859
			<u>8,023</u>
Total General Receipts			607,902
Change in Net Assets			(99,599)
Net Assets Beginning of Year			<u>496,911</u>
Net Assets End of Year			<u>\$397,312</u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$371,163	\$10,789	\$15,360	\$397,312
Total Assets	<u>371,163</u>	<u>10,789</u>	<u>15,360</u>	<u>397,312</u>
<b>Fund Balances</b>				
<b>Unreserved:</b>				
<b>Undesignated (Deficit), Reported in:</b>				
General Fund	371,163			371,163
Special Revenue Funds			15,360	15,360
Capital Projects Funds		10,789		10,789
Total Fund Balances	<u>\$371,163</u>	<u>\$10,789</u>	<u>\$15,360</u>	<u>\$397,312</u>

*See accompanying notes to the basic financial statements.*

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Governmental Grants in Aid	\$580,154			\$580,154
Patron Fines and Fees	18,715			18,715
Contributions, Gifts and Donations	1,866		\$24,723	26,589
Earnings on Investments	17,859			17,859
Miscellaneous	8,023			8,023
Total Receipts	<u>626,617</u>		<u>24,723</u>	<u>651,340</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Service and Programs	492,866			492,866
Collection Development and Processing	47,264		5,788	53,052
<b>Support Services:</b>				
Facilities Operation and Maintenance	29,340			29,340
Information Services	4,973		13,798	18,771
Business Administration	48,923		2,367	51,290
Capital Outlay	3,743	\$98,435	3,442	105,620
Total Disbursements	<u>627,109</u>	<u>98,435</u>	<u>25,395</u>	<u>750,939</u>
Excess of Receipts Over (Under) Disbursements	<u>(492)</u>	<u>(98,435)</u>	<u>(672)</u>	<u>(99,599)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	173	22,000		22,173
Transfers Out	<u>(22,000)</u>		<u>(173)</u>	<u>(22,173)</u>
Total Other Financing Sources (Uses)	<u>(21,827)</u>	<u>22,000</u>	<u>(173)</u>	
Net Change in Fund Balances	(22,319)	(76,435)	(845)	(99,599)
Fund Balances Beginning of Year	<u>393,482</u>	<u>87,224</u>	<u>16,205</u>	<u>496,911</u>
Fund Balances End of Year	<u>\$371,163</u>	<u>\$10,789</u>	<u>\$15,360</u>	<u>\$397,312</u>

*See accompanying notes to the basic financial statements.*

**TIPP CITY 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>	
<b>Receipts</b>				
Governmental Grants in Aid	\$580,154	\$580,154	\$580,154	
Patron Fines and Fees	9,763	14,465	18,715	\$4,250
Contributions, Gifts and Donations			1,866	1,866
Earnings on Investments	6,237	9,241	17,859	8,618
Miscellaneous		5,794	8,023	2,229
Total receipts	<u>596,154</u>	<u>609,654</u>	<u>626,617</u>	<u>16,963</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Service and Programs	460,366	490,618	492,866	(2,248)
Collection Development and Processing	57,898	57,898	47,264	10,634
<b>Support Services:</b>				
Facilities Operation and Maintenance	33,660	36,660	29,340	7,320
Information Services	9,500	9,500	4,973	4,527
Business Administration	44,230	54,990	48,923	6,067
Capital Outlay	4,000	4,000	3,743	257
Total Disbursements	<u>609,654</u>	<u>653,666</u>	<u>627,109</u>	<u>26,557</u>
Excess of Receipts Over (Under) Disbursements	<u>(13,500)</u>	<u>(44,012)</u>	<u>(492)</u>	<u>43,520</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			173	173
Transfers Out			(22,000)	(22,000)
Total Other Financing Sources (Uses)			<u>(21,827)</u>	<u>(21,827)</u>
Net Change in Fund Balance	(13,500)	(44,012)	(22,319)	21,693
Fund Balance Beginning of Year	<u>393,482</u>	<u>393,482</u>	<u>393,482</u>	
Fund Balance End of Year	<u>\$379,982</u>	<u>\$349,470</u>	<u>\$371,163</u>	<u>\$21,693</u>

See accompanying notes to the basic financial statements.

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**TIPP CITY 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 Tipp City Public Library (Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own seven member Board of Trustees (Board) appointed by the Tipp City Board of Education (Board of Education). 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 Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy are discretionary decisions made solely by the Board. Once those decisions are made, the Board of Education has no discretion and must place the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statements No. 14 and 39 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Tipp City Exempted Village School District.

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

The Friends of the Tipp City 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.

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

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library has no business-type activities.

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

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

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

**Building Fund** - The building fund accounts for all activities related to maintain the building utilized by the Library. Resources of this fund are restricted as to a use for a particular purpose.

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

**C. Basis of Accounting**

The Library's financial statements are prepared using the 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 cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

**TIPP CITY 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)**

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 Board may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Board.

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 Board during the year.

**E. Cash and Cash Equivalents**

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, investments were limited to nonnegotiable certificates of deposits. Certificate of Deposits are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 amounted to \$17,859 which includes \$2,588 assigned from other library funds.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$15,360 in the Special Revenue Fund for restrictions imposed by the contributor and \$10,789 in the Building Fund for capital improvements.

**G. 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.

**TIPP CITY 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)**

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**K. 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.

**L. Long-Term Obligations**

The Library's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. 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. The Library has net assets restricted for capital projects and other purposes. Of the Library's \$26,149 in restricted net assets \$0 was restricted by enabling legislation.

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

**N. 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. The Library has no fund balance reserves.

**O. Interfund Transactions**

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

**TIPP CITY 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**4. DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 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 may be deposited or invested in the following securities:

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$150 cash on hand.

**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, \$285,708 of the Library's bank balance of \$413,744 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 that are not covered by any federal deposit insurance deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**5. LIBRARY AND LOCAL GOVERNMENT SUPPORT**

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
(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 2006, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Motorists Mutual Insurance Company	Commercial Property	\$1,700,000
Motorists Mutual Insurance Company	Commercial Crime	15,000
Motorists Mutual Insurance Company	Inland Marine	1,675,000
Motorists Mutual Insurance Company	Vehicle	1,000,000
Utica National Insurance Group	Errors and Omissions	1,000,000
Utica National Insurance Group	Library Officials	1,000,000
Motorists Mutual Insurance Company	General Liability	\$1,000,000

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

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

**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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 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 \$54,698, \$49,535, and \$47,803 respectively; the full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$1,555 made by the Library and \$1,022 made by the plan members.



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**8. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll. The portion of employer contributions allocated to health care was 4.5 percent.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, and an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate). All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. Actual employer contributions which were used to fund post-employment benefits were \$17,966. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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.

**9. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34*"

Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets.

There was no effect on fund balance/net assets as a result of the implementation of this new standard.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

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

**10. SUBSEQUENT EVENT**

The Library sold the property at 19 E. Main Street, Tipp City, Ohio in August 2007 at a price of \$175,000.



# 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*

Tipp City Public Library  
Miami County  
11 East Main Street  
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tipp City Public Library, Miami County, (the Library) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 24, 2008, wherein, we noted the Library uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **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 September 24, 2008.

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

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

**Mary Taylor, CPA**  
Auditor of State

September 24, 2008



Mary Taylor, CPA  
Auditor of State

TIPP CITY 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  
NOVEMBER 6, 2008