



**Auditor of State  
Betty Montgomery**



**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Minerva Public Library  
Stark County  
677 Lynnwood Drive  
Minerva, Ohio 44657

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 Minerva Public Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minerva Public Library, Stark County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, 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.



**Betty Montgomery**  
Auditor of State

August 18, 2006

Minerva Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Minerva Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$9,605, or 8.9%.
- The Library's general receipts are primarily from the State Library and Local Government Support Fund (LLGSF). These receipts represent 95.7% of the total cash received for governmental activities during the year.
- As of December 31, 2005, the Library's general fund had 43 days available fund balance, up from 36 days as of the close of the previous fiscal year.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The Library's one major fund is the general fund. In 2005, the Library maintained two other governmental funds for which the data are combined into a single, aggregated presentation.

The Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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

#### **Basis of Accounting**

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

Minerva Public Library  
Management's Discussion and Analysis  
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Unaudited

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's reliance on the State LLGSF as its primary revenue source, and the lack of any debt obligations.

In the statement of net assets and the statement of activities, the governmental activities include the Library's programs and services.

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

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all categorized as 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 fund is presented on the financial statements in a separate column. In 2005, the Library's one major governmental fund is the general fund. 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 programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



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Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Library as a Whole**

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

	Governmental Activities
	2005
<b>Assets</b>	
Cash and Cash Equivalents	\$117,920
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	2,263
Unrestricted	115,657
Total Net Assets	\$117,920

As mentioned previously, net assets of governmental activities increased \$9,605 or 8.9% during 2005. A portion of the Library's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net asset amount is available to meet the ongoing obligations to citizens and creditors. The primary reasons contributing to the increases in cash balances are as follows:

- Through a formula for LLGSF distribution among the 7 library systems in Stark County (based upon 5 data elements reported annually to the State Library), the Library's increased square footage for a building project completed in May 2003 was proportionately (for two-thirds of the year) factored into the annual statistics reported in 2004 and used for distribution of Stark County LLGSF in 2005. This increased square footage was next reported to the State Library for a full year in 2004 statistics which were used in 2005 to determine that an even greater share of Stark County LLGSF will be distributed to the Library in 2006. However, it is anticipated that a reverse trend (reduction of LLGSF revenue from Stark County) will begin in 2007 and increase in 2008 when the data may reflect completion of several building projects currently underway in other Stark County library districts, as well as the ability of those districts to hire additional staff and purchase more materials from a variety of revenue sources including recent levy income.
- The Library experienced a number of cost increases in 2005 including a 3% salary increase, a 5% health insurance increase for January through November and then a further 12% increase starting December 1<sup>st</sup>, unexpected maintenance and repair expenses, and high increases in utility costs. To keep general fund expenditures close to last year's total, the Board reduced salary and benefit costs by replacing a full-time position with two lower level part-time positions ineligible for health insurance, participating in a county gas aggregation program, and canceling a phone line.

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Management's Discussion and Analysis  
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Table 2 reflects the changes in net assets in 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

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

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$22,821
Operating Grants and Contributions	370
Capital Grants and Contributions	1,706
Total Program Receipts	24,897
General Receipts:	
Unrestricted Gifts and Contributions	1,090
Grants and Entitlements Not Restricted to Specific Programs	787,214
Sale of Fixed Assets	300
Interest	3,046
Miscellaneous	6,535
Total General Receipts	798,185
Total Receipts	823,082
Cash Disbursements:	
Library Services	809,954
Capital Outlay	3,523
Total Cash Disbursements	813,477
Increase (Decrease) in Net Assets	9,605
Net Assets, January 1, 2005	108,315
Net Assets, December 31, 2005	\$117,920

Program receipts represent only 3% of total receipts and are primarily comprised of charges for services and fees on overdue materials.

General receipts represent 97% of the Library's total receipts, and of this amount, almost 99% are unrestricted state entitlements (LLGSF). Other receipts are relatively insignificant percentage-wise and from somewhat unpredictable revenue sources.

Minerva Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005  
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**Governmental Activities**

The first column listed on the statement of activities shows the major services provided by the Library. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for library services which account for 99.6% of all governmental disbursements. The next three columns of the statement entitled Program Receipts identify amounts paid by people who are directly charged for services and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by taxpayers through the State LLGSF. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
Library Services	\$809,954	\$785,057
Capital Outlay	3,523	3,523
Total Expenses	\$813,477	\$788,580

The Library's dependence on general revenue, specifically the State LLGSF, is indicated by the net cost of services column reflecting the need for \$788,580 of support as well as Table 2 demonstrating that general receipts comprise 97% of the Library's total revenues.

**The Library's Funds**

Total governmental funds had receipts of \$822,782 and disbursements of \$813,477. There was minimal change within governmental funds. The fund balance of the general fund increased \$17,266 as the result of increased LLGSF from Stark County and interfund transfers from the capital projects fund (\$7,931) and from the stock fund (\$2).

General fund receipts were greater than disbursements by \$9,033. It was the Board's preference that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some reductions were implemented in 2005, but these cost saving measures will not eliminate the need for additional funds (or additional cuts) in the future if the revenue stream remains stagnant, or even decrease, while costs continue to rise.

**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.

Minerva Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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During 2005, the Library amended its general fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a reduction in LLGSF. While actual receipts were above final budgeted receipts, the difference was not significant.

Final disbursements were budgeted at \$899,344 while actual disbursements were \$846,555. Although LLGSF was below original budgeted amounts, appropriations were not reduced. The Library kept spending close to budgeted amounts as demonstrated by the minor reported variances. The result is an increase in fund balance of \$9,605 for 2005.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the State LLGSF. Our financial forecast anticipates a possible deficit as early as 2007; therefore, the Board and Administration anticipate future reductions in service to delay the deficit. We have reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library. We have delayed planned improvements in lighting and outside fencing and have also anticipated reductions in staffing levels through attrition. All departments were asked to reduce their spending for supplies and travel.

**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 Lisa P. Stroup, Clerk-Treasurer, Minerva Public Library, 677 Lynnwood Drive, Minerva, Ohio 44657-1200.

**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

Statement of Net Assets - Modified Cash Basis  
December 31, 2005

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$117,920</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	2,263
Unrestricted	<u>115,657</u>
<i>Total Net Assets</i>	<u>\$117,920</u>

See accompanying notes to the basic financial statements.

**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Library Services	\$809,954	\$22,821	\$370	\$1,706	(\$785,057)
Capital Outlay	3,523				(3,523)
<i>Total Governmental Activities</i>	<u>813,477</u>	<u>22,821</u>	<u>370</u>	<u>1,706</u>	<u>(788,580)</u>
		<b>General Receipts</b>			
		Unrestricted Gifts and Contributions			1,090
		Local Library Support			787,214
		Sale of Capital Assets			300
		Earnings on Investments			3,046
		Miscellaneous			6,535
		<i>Total General Receipts</i>			<u>798,185</u>
		Change in Net Assets			9,605
		<i>Net Assets Beginning of Year</i>			<u>108,315</u>
		<i>Net Assets End of Year</i>			<u>\$117,920</u>

See accompanying notes to the basic financial statements.

**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

Statement of Modified Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$114,657</u>	<u>\$3,263</u>	<u>\$117,920</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	34,512		34,512
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	80,145		80,145
Capital Projects Funds		3,263	3,263
<i>Total Fund Balances</i>	<u>\$114,657</u>	<u>\$3,263</u>	<u>\$117,920</u>

See accompanying notes to the basic financial statements.

**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Library and Local Government Support	\$787,214		\$787,214
Patron Fines and Fees	22,821		22,821
Contributions, Gifts and Donations	1,460	\$1,706	3,166
Earnings on Investments	3,046		3,046
Miscellaneous	6,535		6,535
<i>Total Receipts</i>	<u>821,076</u>	<u>1,706</u>	<u>822,782</u>
<b>Disbursements</b>			
Current:			
Library Services	809,954		809,954
Capital Outlay	2,089	1,434	3,523
<i>Total Disbursements</i>	<u>812,043</u>	<u>1,434</u>	<u>813,477</u>
<i>Excess of Receipts Over Disbursements</i>	<u>9,033</u>	<u>272</u>	<u>9,305</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Assets	300		300
Transfers In	7,933		7,933
Transfers Out		(7,933)	(7,933)
<i>Total Other Financing Sources (Uses)</i>	<u>8,233</u>	<u>(7,933)</u>	<u>300</u>
<i>Net Change in Fund Balances</i>	17,266	(7,661)	9,605
<i>Fund Balances Beginning of Year</i>	<u>97,391</u>	<u>10,924</u>	<u>108,315</u>
<i>Fund Balances End of Year</i>	<u>\$114,657</u>	<u>\$3,263</u>	<u>\$117,920</u>

See accompanying notes to the basic financial statements.



**MINERVA PUBLIC LIBRARY  
STARK COUNTY**

Statement of Receipts, Disbursements and  
Changes in Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Library and Local Government Support	\$815,161	\$794,727	\$787,214	(\$7,513)
Patron Fines and Fees	18,100	18,100	22,821	4,721
Contributions, Gifts and Donations	1,400	1,400	1,461	61
Earnings on Investments	600	600	3,046	2,446
Miscellaneous			6,535	6,535
<i>Total Receipts</i>	<u>835,261</u>	<u>814,827</u>	<u>821,077</u>	<u>6,250</u>
<b>Disbursements</b>				
Current:				
Library Services	878,474	896,944	844,466	52,478
Capital Outlay	2,400	2,400	2,089	311
<i>Total Disbursements</i>	<u>880,874</u>	<u>899,344</u>	<u>846,555</u>	<u>52,789</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,613)</u>	<u>(84,517)</u>	<u>(25,478)</u>	<u>59,039</u>
<b>Other Financing Sources</b>				
Sale of Assets			300	300
Transfers Out	7,933	7,933	7,933	0
Total Other Financing Sources	7,933	7,933	8,233	300
<i>Net Change in Fund Balance</i>	(37,680)	(76,584)	(17,245)	59,339
<i>Fund Balance Beginning of Year</i>	78,920	78,920	78,920	0
Prior Year Encumbrances Appropriated	18,470	18,470	18,470	0
<i>Fund Balance End of Year</i>	<u>\$59,710</u>	<u>\$20,806</u>	<u>\$80,145</u>	<u>\$59,339</u>

See accompanying notes to the basic financial statements.

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**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 1 – Description of the Library and Reporting Entity**

The Minerva Public Library was organized as a school district public library in 1911 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Minerva Local School District 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 Clerk-Treasurer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Minerva Local School District.

The Friends of the Minerva 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. The Friends of the Minerva Public Library was inactive in 2005 and made no contributions to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

The Library is associated with Northeast Ohio Library Association (NOLA) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. This organization is presented in Note 12.

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**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, which generally are financed through library and local government support.

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 modified cash basis or draws from the Library's general receipts.

**Fund Financial Statements**

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

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental and are financed primarily from library and local government support. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The Library has one major governmental fund, the 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.

The other governmental funds of the Library account for gifts and other resources whose use is restricted to a particular purpose by donor or Board resolution.

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year, or imposed by a county due to a reduction in estimated Local Library Government Support Fund (LLGSF) distributions, as occurred with Stark County in 2005.

**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.

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

During 2005, the Library's investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2005 amounted to \$3,046.

**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 \$2,263 gifted to the Capital Projects Fund (\$2,245 for technology equipment purchases and \$18 for landscape improvement expenditures).

**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

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include \$2,263 gifted to the Capital Projects Fund (\$2,245 for technology equipment purchases and \$18 for landscape improvement expenditures).

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

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Fund Balance Reserves**

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

**M. Interfund Transactions**

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Library has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund (the Library’s only major fund is the General Fund) in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$34,512 for the general fund.

The adjustment to convert the results of operations for the year ended December 31, 2005, on the modified cash basis to the regulatory (budget) basis are presented.

<u>Fund Balance December 31, 2005</u>	<u>General</u>
Modified cash basis	\$114,657
Encumbrances	(34,512)
Adjusted Fund Balance December 31, 2004	<u>\$80,145</u>

**Note 5 - Deposits and Investments**

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

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

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 5 - Deposits and Investments** (continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

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

At year end, the Library had \$325 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."



**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 5 - Deposits and Investments** (continued)

Deposits

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

At year end, the carrying amount of the Library's deposits was \$37,943 in checking and \$41,169 in savings and the bank balances were \$51,034 and \$41,169, respectively. Of the bank balances the total \$92,203 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$0 was uninsured and uncollateralized. Protection of the Library's deposits is also provided by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

Investments

As of December 31, 2005, in addition to the deposits in checking and savings accounts listed above, the Library had invested \$38,808 in STAR Ohio. Star Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$38,808	Average

**Note 6 – Intergovernmental Receipts – Library Local and Government Support – State**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF), which is included in Intergovernmental Revenue. The LLGSF is allocated to each county who's County Budget Commission then allocates to the libraries with service area within their districts. Minerva Public Library receives LLGSF revenue from Stark, Carroll, and Columbiana Counties based upon formulas agreed to by the library directors within each of those counties. In Stark County, the percentage of LLGSF received by any one library may vary from year to year based upon changes to the factors comprising the formula for distribution (e.g., number of employees, square footage, library card holders, funds spent on library materials, and circulation).

**Note 7 - 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. For 2005 the Library contracted with Westfield Insurance Company for coverage including commercial property, general liability, employee benefits liability, auto liability, inland marine, fine arts, boiler systems breakdown, and directors and officer's liability. No claims were filed and there was no significant reduction in coverage from the prior year.

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 7 - Risk Management** (continued)

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.

**Note 8 - 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. 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, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

All of the Library's employees are in the traditional plan and required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were for member employees \$36,510, \$35,773, and \$34,548 and were for the Library \$41,020, \$40,191, and \$38,816, respectively. The full amount has been contributed for 2004 and 2003. The amounts for January-November 2005 have been contributed; whereas, the obligations for December 2005 (member employees \$2,763 and the Library \$4,404) are encumbered but not paid until the following month, January 2006. Contributions paid through year end to the member-directed plan for January – November 2005 were \$53,797 made by the Library and \$33,747 made by the plan members.

**Note 9 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 % of covered payroll; 4% of covered payroll was used to fund health care.

**Minerva Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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**Note 9 - Postemployment Benefits** (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1% and 6% annually for the next eight years and 4% annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$17,181. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage and deposit the unused/excess into a Retiree Medical Account to fund future health care expenses.

**Note 10 – Leases**

The Library has entered into two ongoing lease agreements.

One is with the Auditor of State's Office for Uniform Accounting Network (UAN) software and computer hardware. UAN fees are calculated on the Library's total resources (unencumbered beginning of the year cash balances plus all receipts and other financing sources except interfund advances, transfers, and the proceeds from the sale of bonds, notes and other debt. The lease cost for 2005 was \$165 for software plus another \$50 for computer hardware per month.

The other lease is with Pitney Bowes for a postage meter and scale at \$25.75 per month for 2005.

**Note 11 – Interfund Transfers**

After a final payment in 2004 for a building expansion and renovation project completed in early 2003, the Board of Trustees approved the return transfer of \$7,931 of the money designated for that purpose remaining in the Capital Projects Fund and the \$2 balance of the Stock Fund back to the general fund from which it came.

**Note 12 – Jointly Governed Organization**

The Library is associated with NOLA which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity.

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## Auditor of State Betty Montgomery

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

Minerva Public Library  
Stark County  
677 Lynnwood Drive  
Minerva, Ohio 44657

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minerva Public Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 18, 2006, wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented and, as requested, operates UAN. Except as discussed in the preceding sentence, 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### 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*.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 18, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**MINERVA PUBLIC LIBRARY**

**STARK 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  
OCTOBER 5, 2006**