



**Auditor of State
Betty Montgomery**

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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**Auditor of State
Betty Montgomery**

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 Tipp City Public Library, Miami County, (Library), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tipp City Public Library, Miami County, as of December 2005 and 2004, and the respective changes in modified 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 2 describes.

For the years ended December 31, 2005 and 2004, 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 date September 11, 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.

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

Betty Montgomery
Auditor of State

September 11, 2006

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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, 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 the Library's activities increased \$41,595, or 9 percent.
- 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 2005 changed very little compared to 2004 as there is a current freeze on these funds.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

Reporting the Library as a Whole

The 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 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 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 property tax base, 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. The funds of the Library Governmental funds:

Governmental Funds – The Library's activities are Governmental funds. The Governmental fund financial statements provide a detailed view of the Library's Governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major Governmental funds are the General Fund 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, 2005
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$496,911	\$455,316
Total Assets	<u>496,911</u>	<u>455,316</u>
Net Assets		
Restricted for:		
Capital Outlay	87,224	92,628
Other Purposes	16,205	8,434
Unrestricted	<u>393,482</u>	<u>354,354</u>
Total Net Assets	<u>\$496,911</u>	<u>\$455,416</u>

As mentioned previously, net assets of Governmental activities increased 9 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- In 2005, the Library was able to increase the interest income they received from their investments. During 2004, the total for the year was \$4,484 and this rose to \$12,262. A 173 percent increase.
- In 2005, the Library decreased its spending on assets for the building. During 2005 and 2004 the Library spent respectively \$5,404 and \$7,990.
- The Library increased Capital Outlay expenditures in 2005 over 2004.
- The Administrative Supplies increased during the year of 2005. The total General Fund administrative supplies expenditures went from \$9,950 to \$16,591 for 2004 and 2005, respectively.

Table 2 reflects the changes in net assets in 2005.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

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

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$18,545	\$19,143
Operating Grants and Contributions	28,100	17,323
Total Program Receipts	<u>46,645</u>	<u>36,466</u>
General Receipts:		
Grants and Entitlements Not Restricted	580,154	576,983
Unrestricted Gifts and Contributions	2,808	4,111
Interest	12,262	4,484
Miscellaneous	5,835	5,520
Total General Receipts	<u>601,059</u>	<u>591,098</u>
Total Receipts	<u>647,704</u>	<u>627,564</u>
Disbursements:		
Library Services	503,341	510,209
Support Services	76,362	73,700
Capital Outlay	26,406	7,746
Total Disbursements	<u>606,109</u>	<u>591,655</u>
Increase in Net Assets	41,595	35,909
Net Assets, January 1	<u>455,316</u>	<u>419,407</u>
Net Assets, December 31	<u><u>\$496,911</u></u>	<u><u>\$455,316</u></u>

Program receipts represent only 7 percent of total receipts and are primarily comprised of restricted intergovernmental 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, 96 percent are Grant and Entitlements not Restricted (Local Library Government Service Fund). Non-restricted gifts and contributions 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.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

Governmental Activities

If you look at the Statement of Activities 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 Collection Development and Processing, which account for 72 and 11 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 taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
Public Service and Programs	\$435,886	\$435,886
Collection Development and Processing	67,455	46,410
Facilities Operation and Maintenance	28,635	28,635
Information Services	6,128	6,128
Business Administration	41,599	41,599
Capital Outlay	26,406	806
Total Expenses	\$606,109	\$559,464

The dependence upon Grant and Entitlements is apparent as over 92 percent of Governmental activities are supported through these general receipts.

The Library's Funds

The General Fund had receipts of \$619,604 and disbursements of \$580,376. General Fund receipts were greater than disbursements by \$39,228 indicating the General Fund is in a positive spending situation.

The Building Fund had no receipts, but disbursements of \$5,404. Building Fund disbursements were greater than receipts by \$5,404, indicating the Building Fund was in a negative spending situation.

Other Governmental Funds had receipts of \$28,100 and disbursements of \$20,329. Other Governments Funds receipts were greater than disbursements by \$7,771, indicating the Other Governmental Funds were in a positive spending situation.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

General Fund Budgeting Highlights

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

During 2005, the Library amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$622,694 while actual disbursements were \$580,376. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$39,228 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 Government Grants in Aid (LLGSF). Our newly prepared financial forecast predicts no increase in the fund balance for 2006.

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, Clerk-Treasurer, Tipp City Public Library, 11 E. Main Street, Tipp City, Ohio, 45371.

TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$496,911</u>
Total Assets	<u><u>\$496,911</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$87,224
Other Purposes	16,205
Unrestricted	<u>393,482</u>
Total Net Assets	<u><u>\$496,911</u></u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI 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	Governmental Activities	
Governmental Activities				
Library Services:				
Public Service and Programs	\$435,886			(\$435,886)
Collection Development and Processing	67,455	\$18,545	\$2,500	(46,410)
Support Services:				
Facilities Operation and Maintenance	28,635			(28,635)
Information Services	6,128			(6,128)
Business Administration	41,599			(41,599)
Capital Outlay	26,406		25,600	(806)
Total Governmental Activities	<u>\$606,109</u>	<u>\$18,545</u>	<u>\$28,100</u>	(559,464)
 General Receipts				
Unrestricted Gifts and Contributions				2,808
Grants and Entitlements not Restricted to Specific Programs				580,154
Interest				12,262
Miscellaneous				5,835
				601,059
Total General Receipts				601,059
Change in Net Assets				41,595
Net Assets Beginning of Year				455,316
Net Assets End of Year				\$496,911

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$393,482	\$87,224	\$16,205	\$496,911
Total Assets	<u>\$393,482</u>	<u>\$87,224</u>	<u>\$16,205</u>	<u>\$496,911</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	393,482			393,482
Special Revenue Funds			16,205	16,205
Capital Projects Funds		87,224		87,224
Total Fund Balances	<u>\$393,482</u>	<u>\$87,224</u>	<u>\$16,205</u>	<u>\$496,911</u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED -
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Other Grants In Aid	\$580,154		\$23,100	\$603,254
Patron Fines and Fees	18,545			18,545
Contributions, Gifts and Donations	2,808		5,000	7,808
Earnings on Investments	12,262			12,262
Miscellaneous	5,835			5,835
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	619,604		28,100	647,704
Disbursements				
Current:				
Library Services:				
Public Service and Programs	435,886			435,886
Collection Development and Processing	64,899		2,556	67,455
Support Services:				
Facilities Operation and Maintenance	28,635			28,635
Information Services	6,128			6,128
Business Administration	39,922		1,677	41,599
Capital Outlay	4,906	\$5,404	16,096	26,406
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements	580,376	5,404	20,329	606,109
Excess of Receipts Over (Under) Disbursements	39,228	(5,404)	7,771	41,595
Net Change in Fund Balances	39,228	(5,404)	7,771	41,595
Fund Balances Beginning of Year	354,254	92,628	8,434	455,316
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances End of Year	<u>\$393,482</u>	<u>\$87,224</u>	<u>\$16,205</u>	<u>\$496,911</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Other Grants in Aid	\$580,454	\$580,454	\$580,154	(\$300)
Patron Fines and Fees	18,000	18,000	18,545	545
Contributions, Gifts and Donations			2,808	2,808
Earnings on Investments	3,120	3,120	12,262	9,142
Miscellaneous			5,835	5,835
Total receipts	<u>601,574</u>	<u>601,574</u>	<u>619,604</u>	<u>18,030</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	452,554	451,554	435,886	15,668
Collection Development and Processing	86,730	84,180	64,899	19,281
Support Services:				
Facilities Operation and Maintenance	38,510	34,450	28,635	5,815
Information Services	8,900	8,900	6,128	2,772
Business Administration	32,000	38,500	39,922	(1,422)
Capital Outlay	4,000	5,110	4,906	204
Total Disbursements	<u>622,694</u>	<u>622,694</u>	<u>580,376</u>	<u>42,318</u>
Net Change in Fund Balance	(21,120)	(21,120)	39,228	60,348
Fund Balance Beginning of Year	<u>354,254</u>	<u>354,254</u>	<u>354,254</u>	<u>354,254</u>
Fund Balance End of Year	<u><u>\$333,134</u></u>	<u><u>\$333,134</u></u>	<u><u>\$393,482</u></u>	<u><u>\$60,348</u></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, 2005**

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 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 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 Statement No. 14 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, 2005
(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 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 and the fund financial statements for the proprietary funds, 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.

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

2. Fund Financial Statements

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

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

D. Budgetary Process

All funds, (except agency 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 all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board.

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 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 Board.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2005, investments were limited to a money market fund, and nonnegotiable certificates of deposit. Except for the money market fund these investments are recorded at cost.

The Library's money market fund investments are recorded at amounts reported by Fifth Third Bank and Monroe Federal Savings and Loan.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$12,262, \$2,500 of which was 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 \$16,205 in the Special Revenue Fund for restrictions imposed by the contributor and \$87,224 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.

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.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 modified 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 modified 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.

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 (and after nonoperating receipts/disbursements in proprietary 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, 2005
(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;

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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).

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At year end, the carrying amount of the Library's deposits was \$496,911 and the bank balance was \$518,725. Of the bank balance \$116,784 was covered by federal depository insurance and \$401,941 was uninsured and uncollateralized. 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.

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.

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, 2005
(Continued)**

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Motorists Mutual Insurance Company	Commercial Property	\$1,250,000
Cincinnati Insurance Company	Contents	2,070,000
Cincinnati Insurance Company	Commercial Crime	15,000
Motorists Mutual Insurance Company	Inland Marine	25,000
Cincinnati Insurance Company	Vehicle	1,000,000
Utica National Insurance Group	Errors and Omissions	1,000,000
Utica National Insurance Group	Library Officials	200,000
Cincinnati Insurance Company	Rental Property Ins.	132,250
Cincinnati Insurance Company	Rental 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, 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 13.31 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$49,535, \$47,803 and \$56,488 respectively; the full amount has been contributed for 2005, 2004, and 2003. Contributions to the member-directed plan for 2005 were \$0 made by the Library and \$32,073 made by the plan members.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

8. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.31 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$44,900. 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 \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, 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.

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**TIPP CITY PUBLIC LIBRARY
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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, 2004, 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 2004 are as follows:

- Net assets of the Library's activities increased \$35,909, or 8.5 percent, an insignificant change from the prior year.
- The Library's general receipts are primarily Grants and Entitlements not Restricted to Specific Programs. These receipts represent 92 percent of the total cash received for Library activities during the year. Grants and Entitlements not Restricted to Specific Programs receipts for 2004 changed very little compared to 2003.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**TIPP CITY PUBLIC LIBRARY
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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 2004, within the limitations of modified 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 modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the Library's property tax base, 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 Specific Programs.

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 Governmental.

Governmental Funds - 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
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$455,316	\$419,407
Total Assets	<u>455,316</u>	<u>419,407</u>
Net Assets		
Restricted for:		
Capital Outlay	92,628	50,618
Other Purposes	8,434	3,161
Unrestricted	354,254	365,628
Total Net Assets	<u>\$455,316</u>	<u>\$419,407</u>

As mentioned previously, net assets of Governmental activities increased 8.5 percent during 2004. The primary reasons contributing to the increases in cash balance is as follows:

- In 2004, the Library decreased its spending on assets for the building. During 2004 and 2003 the Library spent respectively \$7,990 and \$8,160.
- The Retirement benefits paid during 2004 were significantly less than 2003 due to the timing of these payments. From 2003 to 2004 the payments decreased from \$60,416 to \$51,909.

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of Library data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**TIPP CITY PUBLIC LIBRARY
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$19,143
Operating Grants and Contributions	17,323
Total Program Receipts	36,466
General Receipts:	
Grants and Entitlements Not Restricted	576,983
Unrestricted Gifts and Contributions	4,111
Interest	4,484
Miscellaneous	5,520
Total General Receipts	591,098
Total Receipts	627,564
 Disbursements:	
Library Services	510,209
Support Services	73,700
Capital Outlay	7,746
Total Disbursements	591,655
Increase in Net Assets	35,909
Net Assets, January 1, 2004	419,407
Net Assets, December 31, 2004	\$455,316

Program receipts represent only 6 percent of total receipts and are primarily comprised of restricted intergovernmental 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 94 percent of the Library's total receipts, and of this amount, 97 percent are Grant and Entitlements not Restricted (Local Library Government Service Fund). Non-restricted gifts and contributions 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.

**TIPP CITY PUBLIC LIBRARY
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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 Collection Development and Processing, which account for 75 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 services 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 taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2004	Net Cost of Services 2004
Public Service and Programs	\$440,502	\$440,502
Collection Development and Processing	69,707	44,696
Facilities Operation and Maintenance	36,190	36,190
Information Services	6,273	6,273
Business Administration	31,237	29,060
Capital Outlay	7,746	(1,532)
Total Expenses	\$591,655	\$555,189

The dependence upon Grant and Entitlements is apparent as over 93 percent of Governmental activities are supported through these general receipts.

The Library's Funds

General Fund receipts were less than disbursements by \$11,375 indicating that the General Fund is in a deficit spending situation. The fund would have ended the year in a positive spending situation of \$38,625 but \$50,000 was transferred to the Building Fund to offset future unknown capital outlay expenditures.

Building Fund receipts exceeded disbursements by \$42,010 indicating the Building Fund is in a positive spending situation. The Fund would have ended the year in a negative spending situation but received a \$50,000 transfer from the General Fund for future capital outlay expenditures.

Other Governmental Funds receipts exceeded disbursements by \$5,274 indicating they are in a positive spending situation.

**TIPP CITY PUBLIC LIBRARY
MAIMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

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

During 2004, 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 \$655,926 while actual disbursements were \$621,616. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$11,375 for 2004.

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 2005.

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, Clerk-Treasurer, Tipp City Public Library, 11 E. Main Street, Tipp City, Ohio 45371.

**TIPP CITY PUBLIC ILBRARY
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$455,316</u>
Total Assets	<u><u>\$455,316</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$92,628
Other Purposes	8,434
Unrestricted	<u>354,254</u>
Total Net Assets	<u><u>\$455,316</u></u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$440,502		(\$440,502)
Collection Development and Processing	69,707	\$19,143	(44,696)
Support Services:			
Facilities Operation and Maintenance	36,190		(36,190)
Information Services	6,273		(6,273)
Business Administration	31,237	2,177	(29,060)
Capital Outlay	7,746	9,278	1,532
Total Governmental Activities	<u>\$591,655</u>	<u>\$19,143</u>	<u>\$17,323</u>
General Receipts			
			4,111
			576,983
			4,484
			5,520
			<u>591,098</u>
			35,909
			419,407
			<u>\$455,316</u>

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$354,254	\$92,628	\$8,434	\$455,316
Total Assets	\$354,254	\$92,628	\$8,434	\$455,316
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	354,254			354,254
Special Revenue Funds			8,434	8,434
Capital Projects Funds		92,628		92,628
Total Fund Balances	\$354,254	\$92,628	\$8,434	\$455,316

See accompanying notes to the basic financial statements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED-
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Other Government Grants in Aid	\$576,983		\$15,995	\$592,978
Patron Fines and Fees	19,143			19,143
Contributions, Gifts and Donations	4,111		1,328	5,439
Earnings on Investments	4,484			4,484
Miscellaneous	5,520			5,520
Total Receipts	<u>610,241</u>		<u>17,323</u>	<u>627,564</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	440,502			440,502
Collection Development and Processing	65,301		4,406	69,707
Support Services:				
Facilities Operation and Maintenance	28,200	\$7,990		36,190
Information Services	6,273			6,273
Business Administration	31,237			31,237
Capital Outlay	103		7,643	7,746
Total Disbursements	<u>571,616</u>	<u>7,990</u>	<u>12,049</u>	<u>591,655</u>
Excess of Receipts Over (Under) Disbursements	<u>38,625</u>	<u>(7,990)</u>	<u>5,274</u>	<u>35,909</u>
Other Financing Sources (Uses)				
Transfers In		50,000		50,000
Transfers Out	<u>(50,000)</u>			<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>		
Net Change in Fund Balances	(11,375)	42,010	5,274	35,909
Fund Balances Beginning of Year	<u>365,629</u>	<u>50,618</u>	<u>3,160</u>	<u>419,407</u>
Fund Balances End of Year	<u><u>\$354,254</u></u>	<u><u>\$92,628</u></u>	<u><u>\$8,434</u></u>	<u><u>\$455,316</u></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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$576,593	\$576,593	\$576,983	\$390
Patron Fines and Fees	18,600	18,600	19,143	543
Contributions, Gifts and Donations			4,111	4,111
Earnings on Investments	4,000	4,000	4,484	484
Miscellaneous	5,400	5,400	5,520	120
Total receipts	<u>604,593</u>	<u>604,593</u>	<u>610,241</u>	<u>5,648</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	431,373	447,511	440,502	7,009
Collection Development and Processing	89,000	81,200	65,301	15,899
Support Services:				
Facilities Operation and Maintenance	29,005	30,355	28,200	2,155
Information Services	10,300	9,300	6,273	3,027
Business Administration	39,360	34,060	31,237	2,823
Capital Outlay	5,500	3,500	103	3,397
Total Disbursements	<u>604,538</u>	<u>605,926</u>	<u>571,616</u>	<u>34,310</u>
Excess of Receipts Over (Under) Disbursements	<u>55</u>	<u>(1,333)</u>	<u>38,625</u>	<u>39,958</u>
Other Financing Sources (Uses)				
Transfers Out		(50,000)	(50,000)	
Total Other Financing Sources (Uses)		<u>(50,000)</u>	<u>(50,000)</u>	
Net Change in Fund Balance	55	(51,333)	(11,375)	39,958
Fund Balance Beginning of Year	<u>365,629</u>	<u>365,629</u>	<u>365,629</u>	
Fund Balance End of Year	<u>\$365,684</u>	<u>\$314,296</u>	<u>\$354,254</u>	<u>\$39,958</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, 2004**

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 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 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 Statement No. 14 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, 2004
(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 modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) 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 and the fund financial statements for the proprietary funds, 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.

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

2. Fund Financial Statements

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

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(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 non-exchange 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 modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

D. Budgetary Process

All funds, (except agency 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 all 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, 2004
(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 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 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 2004, investments were limited to a money market fund, and nonnegotiable certificates of deposit. Except for the money market fund these investments are recorded at cost.

The Library's money market fund investments are recorded at amounts reported by Fifth Third Bank and Monroe Federal Savings and Loan.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2004 amounted to \$4,484, \$995 of which was 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 \$8,434 in the Special Revenue Fund for restrictions imposed by the contributor and \$92,628 in the Building Fund for capital improvements.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 modified 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Library's modified 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 assets restricted for capital projects and other purposes.

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.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Also as described in note 2, the transition from the regulatory basis of accounting to the modified cash basis of accounting generated no changes to fund balance/equity as previously reported at December 31, 2003.

4. BUDGETARY BASIS OF ACCOUNTING

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

5. 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.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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).

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 no undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

At year end, the carrying amount of the Library's deposits was \$455,316 and the bank balance was \$479,276. Of the bank balance \$198,520 was covered by federal depository insurance and \$280,756 was uninsured and uncollateralized. 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.

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.

6. LIBRARY AND LOCAL GOVERNMENTAL 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.

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. During 2004, 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	\$1,250,000
Cincinnati Insurance Company	Contents	2,070,000
Cincinnati Insurance Company	Commercial Crime	15,000
Motorists Mutual Insurance Company	Inland Marine	25,000
Cincinnati Insurance Company	Vehicle	1,000,000
Utica National Insurance Group	Errors and Omissions	1,000,000
Utica National Insurance Group	Library Officials	200,000
Cincinnati Insurance Company	Rental Property Ins.	132,250
Cincinnati Insurance Company	Rental 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.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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 (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, 2004, 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 2004 was 13.31 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, 2004, 2003, and 2002 were \$47,803, \$56,488, and \$49,677 respectively; the full amount has been contributed for 2004, 2003, and 2002. Contributions to the member-directed plan for 2004 were \$0 made by the Library and \$34,723 made by the plan members.

9. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.31 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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

The number of active contributing participants in the traditional and combined plans was \$369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$47,982 actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (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, 2004, 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.



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*

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 Tipp City Public Library, Miami County, (the Library) as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated September 11, 2006, wherein we noted the Library revised its financial statements for 2005 and 2004, making them comparable to the requirements of governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures 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. In a separate letter to the Library's management dated September 11, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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*. In a separate letter to the Township's management dated September 11, 2006, we reported a matter related to noncompliance we deemed immaterial.

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This report is intended solely for the information and use of management and Board of Trustees, and is not intended to be and should not be used by 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

September 11, 2006



**Auditor of State
Betty Montgomery**

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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 9, 2006**