



Mary Taylor, CPA
Auditor of State

**MINERVA PUBLIC LIBRARY
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – 2007 - Modified Cash Basis	11
Statement of Activities – 2007 - Modified Cash Basis	12
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds - 2007	13
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances Governmental Funds - 2007	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund - 2007	15
Statement of Net Assets – 2006 - Modified Cash Basis	17
Statement of Activities – 2006 - Modified Cash Basis	18
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds - 2006	19
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances Governmental Funds - 2006	20
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund - 2006	21
Notes to the Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Minerva Public Library
Stark County
677 Lynnwood Drive
Minerva, Ohio 44657-1200

To the Board of Trustees:

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

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Minerva Public Library, Stark County, Ohio, as of December 31, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

May 12, 2008

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

This discussion and analysis of the Minerva Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$53,044, or 36.6%
- The Library's general receipts are primarily from the State Library and Local Government Support Fund (LLGSF). These receipts represent 97.1% of the total cash received for governmental activities during the year.
- During the course of 2007, as a cost-cutting measure, one full-time employee who voluntarily retired 12/29/2006 was not replaced resulting in reduced wage expense, as well as reduced health and life insurance costs.

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$26,910, or 22.8%
- The Library's general receipts are primarily from the State Library and Local government Support Fund (LLGSF). These receipts represent 96.9% of the total cash received for governmental activities during the year.
- During the course of 2006, several cost-cutting measures were implemented:
 - Two full-time employees who voluntarily left the Library were replaced by four part-time employees resulting in reduced health and life insurance costs.
 - In June, the Library began closing 3 hours earlier on Friday evenings, at 5:00 p.m. versus 8:00 p.m. reducing staffing costs.
 - Expenditures on Library materials (the circulating collection) were frozen at 2004 levels.
 - No funds were expended on public program presentations.

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The Library's one major fund is the general fund. In 2007 and 2006, the Library maintained one other governmental fund, the capital projects fund.

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

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

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

Reporting the Library's Most Significant Funds

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

The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental fund is presented on the financial statements in a separate column. In 2007 and 2006, the Library's one major governmental fund is the general fund. 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. In 2007 and 2006, the Library's only non-major fund is the capital projects fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

The Library as a Whole

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

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$155,025	\$104,085
Investments	42,849	40,745
Total Assets	<u>\$197,874</u>	<u>\$144,830</u>
Net Assets		
Restricted for:		
Capital Outlay	1,421	3,802
Unrestricted	<u>196,453</u>	<u>141,028</u>
Total Net Assets	<u>\$197,874</u>	<u>\$144,830</u>

As mentioned previously, net assets of governmental activities increased \$ 53,044 or 36.6% during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- The LLGSF is distributed among the 7 library systems in Stark County based upon 5 data elements reported annually to the State Library and averaged over a 4 year period to lessen the immediate impact of large changes. The Library's increased square footage for a building project completed in May 2003 was proportionately (for two-thirds of the year) factored into the annual statistics reported in 2004 and used for distribution of Stark County LLGSF in 2006. This increased square footage was next reported to the State Library for a full year in 2004 statistics which were used in 2006 to determine that an even greater share of Stark County LLGSF would be distributed to the Library in 2007. However, it is anticipated that a reverse trend (reduction of LLGSF revenue from Stark County) will begin with the budget hearing in the fall of 2008 when the data may reflect the 2007 completion of several building projects in other Stark County library districts, as well as their hiring of additional staff and purchasing of more materials from a variety of revenue sources including recent levy income to the majority of the other systems.
- The Library experienced a number of cost increases in 2007 including a 3% salary increase and another .15% increase in employer retirement contributions. To keep general fund expenditures as low as possible, the Library minimized any use of outside contracts, capital expenditures, or substitute staff. However, the Library did hire Unique Management Services, Inc. to recover overdue materials and increase revenue from their processing of delinquent Library fines and fees accounts.

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Table 2 provides a summary of the Library's net assets for 2006 compared to 2005 on a modified cash basis:

Cash and Cash Equivalent:	\$104,085	\$79,112
Investments	40,745	38,808
Total Assets	<u>\$144,830</u>	<u>\$117,920</u>
Net Assets		
Restricted for:		
Capital Outlay	3,802	2,263
Unrestricted	141,028	115,657
Total Net Assets	<u>\$144,830</u>	<u>\$117,920</u>

As mentioned previously, net assets of Library activities increased \$ 26,910 or 22.8% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The LLGSF is distributed among the 7 library systems in Stark County based upon 5 data elements reported annually to the State Library and averaged over a 4 year period to lessen the immediate impact of large changes. The Library's increased square footage for a building project completed in May 2003 was proportionately (for two-thirds of the year) factored into the annual statistics reported in 2004 and used for distribution of Stark County LLGSF in 2005. This increased square footage was next reported to the State Library for a full year in 2004 statistics which were used in 2005 to determine that an even greater share of Stark County LLGSF would be distributed to the Library in 2007. However, it is anticipated that a reverse trend (reduction of LLGSF revenue from Stark County) will begin in 2008 when the data may reflect the 2007 completion of several building projects in other Stark County library districts, as well as their hiring of additional staff and purchasing of more materials from a variety of revenue sources including recent levy income to the majority of the other systems.
- The Library experienced a number of cost increases in 2007 including a 3% salary increase, a 13% increase in health insurance rates, a parking lot resurfacing project, and high increases in utility costs. To keep general fund expenditures close to last year's total, the Board reduced salary and benefit costs by replacing 2 full-time positions with 4 lower level part-time positions ineligible for health or life insurance, and reduced the number of on-line public access catalog systems on Library computers by 2.

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Table 3 reflects the changes in net assets on a modified cash basis in 2007 and 2006 for governmental activities.

(Table 3)
Changes in Net Assets

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$23,886	\$23,003
Operating Grants and Contributions	1,633	2,686
Capital Grants and Contributions	<u>0</u>	<u>557</u>
Total Program Receipts	<u>25,519</u>	<u>26,246</u>
General Receipts:		
Unrestricted Gifts and Contributions	6,131	2,515
Grants and Entitlements Not Restricted to Specific Programs	831,945	823,985
Interest	7,470	5,253
Miscellaneous	<u>274</u>	<u>2,772</u>
Total General Receipts	<u>845,820</u>	<u>834,525</u>
Total Receipts	<u>871,339</u>	<u>860,771</u>
Disbursements:		
Library Services	809,766	833,843
Capital Outlay	<u>8,529</u>	<u>18</u>
Total Disbursements	<u>818,295</u>	<u>833,861</u>
Increase in Net Assets	53,044	26,910
Net Assets at beginning of year	<u>144,830</u>	<u>117,920</u>
Net Assets at end of year	<u><u>\$197,874</u></u>	<u><u>\$144,830</u></u>

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

General receipts represent 97% of the Library's total receipts, and of this amount, 98.4% are unrestricted state entitlements (LLGSF). Other receipts are relatively insignificant percentage-wise and from somewhat unpredictable revenue sources.

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

Table 4 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities.

(Table 4)
Changes in Net Assets

	Governmental	
	Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$23,003	\$22,821
Operating Grants and Contributions	2,686	370
Capital Grants and Contributions	557	1,706
Total Program Receipts	<u>26,246</u>	<u>24,897</u>
General Receipts:		
Unrestricted Gifts and Contributions	2,515	1,090
Grants and Entitlements Not Restricted to Specific Programs	823,985	787,214
Sale of Fixed Assets		300
Interest	5,253	3,046
Miscellaneous	2,772	6,535
Total General Receipts	<u>834,525</u>	<u>798,185</u>
Total Receipts	<u>860,771</u>	<u>823,082</u>
Disbursements:		
Library Services	833,843	809,954
Capital Outlay	18	3,523
Total Disbursements	<u>833,861</u>	<u>813,477</u>
Increase in Net Assets	26,910	9,605
Net Assets at beginning of year	<u>117,920</u>	<u>108,315</u>
Net Assets at end of year	<u>\$144,830</u>	<u>\$117,920</u>

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

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

Minerva Public Library
 Management's Discussion and Analysis
 For the Years Ended December 31, 2007 and 2006
 Unaudited

Governmental Activities

The first column listed on the Statement of Activities shows the major services provided by the Library. The next column identifies the costs of providing these services. For 2007 and 2006, the major program disbursements for governmental activities are for library services which account for 98.9% and 99.9%, respectively of all governmental disbursements. The next three columns of the Statement entitled Program 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 Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by taxpayers through the State LLGSF. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost for the 2007, 2006, and 2005 fiscal years is presented in Tables 5 and 6.

(Table 5)

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Library Services	\$809,766	\$784,247	\$833,843	\$807,597
Capital Outlay	8,529	8,529	18	18
Total Expenses	\$818,295	\$792,776	\$833,861	\$807,615

(Table 6)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Library Services	\$833,843	\$807,597	\$809,954	\$785,057
Capital Outlay	18	18	3,523	3,523
Total Expenses	\$833,861	\$807,615	\$813,477	\$788,580

The dependence upon general revenue, specifically the State LLFSF, is indicated by the net cost of services column reflecting the need for \$784,247 and \$807,597 of support in 2007 and 2006, respectively, as well as Table 3 and 4 demonstrating that general receipts for both 2007 and 2006 comprise 97% and of the Library's total revenues.

The Library's Funds

Total governmental funds for 2007 and 2006 had receipts of \$871,339 and \$860,771 and disbursements of \$818,295 and \$833,861, respectively. There was a slight positive change within governmental funds. The fund balance of the general fund increased \$55,425 and \$26,371, as the result of a small increase in LLGSF and cost savings strategies implemented regarding staff replacements and reductions in contracted and patron services.

General Fund receipts were greater than disbursements in 2007 and 2006 by \$55,425 and \$26,371, respectively. It was the Board's preference that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some reductions were implemented in 2006, with even greater reductions occurring in 2007. These cost saving measures will not eliminate the need for additional funds (or additional cuts) in the future if the revenue stream remains virtually stagnant, or even decreases, while costs continue to rise.

Minerva Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

General Fund Budgeting Highlights

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

During 2007, the State had originally planned to lift the freeze on the LLGSF revenue distributed to the counties for library use in July but that did not happen. While the original budget figures issued by Stark and Columbiana Counties were calculated conservatively using the freeze amount for the whole year, the figure from Carroll County had been issued assuming the freeze would lift and therefore actual revenue was below the budgeted amount. While actual LLGSF receipts were below the original budgeted receipts, the difference was minimal due primarily to greater than anticipated contributions from individuals and interest earnings.

During 2006, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a reduction in LLGSF. While actual receipts were above final budgeted receipts, the difference was minimal and due primarily to small contributions and greater than anticipated interest earnings.

For 2007 and 2006, final disbursements were budgeted at \$937,866 and \$933,615 while actual disbursements were \$851,346 and \$871,389, respectively. Although LLGSF was slightly below original budget amounts, appropriations were not reduced. However, the Library kept very close watch upon expenditures and implemented several strategies to reduce them below budgeted amounts as demonstrated by the reported variances. The result is an increase in total fund balances of \$53,044 for 2007 and \$26,910 for 2006.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the State LLGSF. While the future revenue source of State funding of libraries is changing, under the current formula our financial forecast anticipates a reduction in the Library's share of Stark County LLGSF in 2008.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lisa P. Stroup, Clerk-Treasurer, Minerva Public Library, 677 Lynnwood Drive, Minerva, Ohio 44657-1200.

Minerva Public Library
Stark County
Statement of Net Assets - Modified Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$155,025
Investments	<u>42,849</u>
<i>Total Assets</i>	<u><u>\$197,874</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,421
Unrestricted	<u>196,453</u>
<i>Total Net Assets</i>	<u><u>\$197,874</u></u>

See accompanying notes to the basic financial statements

Minerva Public Library
Stark County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$809,766	\$23,886	\$1,633	(\$784,247)
Capital Outlay	8,529			(8,529)
<i>Total Governmental Activities</i>	<u>\$818,295</u>	<u>\$23,886</u>	<u>\$1,633</u>	(792,776)
		General Receipts		
		Unrestricted Gifts and Contributions		6,131
		Grants and Entitlements not Restricted to Specific Programs		831,945
		Earnings on Investment		7,470
		Miscellaneous		274
		<i>Total General Receipts</i>		<u>845,820</u>
		Change in Net Assets		53,044
		<i>Net Assets Beginning of Year</i>		<u>144,830</u>
		<i>Net Assets End of Year</i>		<u>\$197,874</u>

See accompanying notes to the basic financial statements

Minerva Public Library
Stark County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$153,604	\$1,421	\$155,025
Investments	42,849		42,849
<i>Total Assets</i>	<u>\$196,453</u>	<u>\$1,421</u>	<u>\$197,874</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$35,432		\$35,432
Undesignated, Reported in:			
General Fund	161,021		161,021
Capital Projects Funds		\$1,421	1,421
<i>Total Fund Balances</i>	<u>\$196,453</u>	<u>\$1,421</u>	<u>\$197,874</u>

See accompanying notes to the basic financial statements

**Minerva Public Library
Stark County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Library and Local Government Support	\$831,945		\$831,945
Patron Fines and Fees	23,886		23,886
Contributions, Gifts and Donations	7,764		7,764
Earnings on Investments	7,470		7,470
Miscellaneous	274		274
<i>Total Receipts</i>	<u>\$871,339</u>	<u>\$0</u>	<u>\$871,339</u>
Disbursements			
Current:			
Library Services	809,766		809,766
Capital Outlay	6,148	2,381	8,529
<i>Total Disbursements</i>	<u>815,914</u>	<u>2,381</u>	<u>818,295</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>55,425</u>	<u>(2,381)</u>	<u>53,044</u>
<i>Fund Balances Beginning of Year</i>	<u>141,028</u>	<u>3,802</u>	<u>144,830</u>
<i>Fund Balances End of Year</i>	<u><u>\$196,453</u></u>	<u><u>\$1,421</u></u>	<u><u>\$197,874</u></u>

See accompanying notes to the basic financial statements

Minerva Public Library
Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$849,419	\$849,419	\$831,945	(\$17,474)
Patron Fines and Fees	23,900	23,900	23,886	(14)
Contributions, Gifts and Donations	1,200	1,200	7,764	6,564
Earnings on Investments	3,200	3,200	7,470	4,270
Miscellaneous	0	0	274	274
<i>Total receipts</i>	<i>877,719</i>	<i>877,719</i>	<i>871,339</i>	<i>(6,380)</i>
Disbursements				
Current:				
Library Services	926,036	926,036	845,198	80,838
Capital Outlay	11,830	11,830	6,148	5,682
<i>Total Disbursements</i>	<i>937,866</i>	<i>937,866</i>	<i>851,346</i>	<i>86,520</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(60,147)</i>	<i>(60,147)</i>	<i>19,993</i>	<i>80,140</i>
<i>Fund Balance Beginning of Year</i>	<i>103,482</i>	<i>103,482</i>	<i>103,482</i>	<i>0</i>
Prior Year Encumbrances Appropriated	37,546	37,546	37,546	0
<i>Fund Balance End of Year</i>	<i>\$80,881</i>	<i>\$80,881</i>	<i>\$161,021</i>	<i>\$80,140</i>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Minerva Public Library
Stark County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$104,085
Investments	<u>40,745</u>
<i>Total Assets</i>	<u><u>\$144,830</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,802
Unrestricted	<u>141,028</u>
<i>Total Net Assets</i>	<u><u>\$144,830</u></u>

See accompanying notes to the basic financial statements

Minerva Public Library
Stark County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities				Governmental Activities
Library Services	\$833,843	\$23,003	\$2,686	(\$807,597)
Capital Outlay	18			(18)
<i>Total Governmental Activities</i>	<u>\$833,861</u>	<u>\$23,003</u>	<u>\$2,686</u>	<u>(807,615)</u>
		General Receipts		
		Unrestricted Gifts and Contributions		2,515
		Grants and Entitlements not Restricted to Specific Programs		823,985
		Earnings on Investments		5,253
		Miscellaneous		<u>2,772</u>
		<i>Total General Receipts</i>		<u>834,525</u>
		Change in Net Assets		26,910
		<i>Net Assets Beginning of Year</i>		<u>117,920</u>
		<i>Net Assets End of Year</i>		<u>\$144,830</u>

See accompanying notes to the basic financial statements

Minerva Public Library

Stark County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$100,283	\$3,802	\$104,085
Investments	40,745		40,745
<i>Total Assets</i>	<u>\$141,028</u>	<u>\$3,802</u>	<u>\$144,830</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$37,546	\$2,382	\$39,928
Unreserved:			
Undesignated, Reported in:			
General Fund	103,482		103,482
Capital Projects Funds		1,420	1,420
<i>Total Fund Balances</i>	<u>\$141,028</u>	<u>\$3,802</u>	<u>\$144,830</u>

See accompanying notes to the basic financial statements

**Minerva Public Library
Stark County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Library and Local Government Support	\$823,985		\$823,985
Patron Fines and Fees	23,003		23,003
Contributions, Gifts and Donations	5,201	\$557	5,758
Earnings on Investments	5,253		5,253
Miscellaneous	2,772		2,772
<i>Total Receipts</i>	<u>860,214</u>	<u>557</u>	<u>860,771</u>
Disbursements			
Current:			
Library Services	833,843		833,843
Capital Outlay		18	18
<i>Total Disbursements</i>	<u>833,843</u>	<u>18</u>	<u>833,861</u>
<i>Excess of Receipts Over Disbursements</i>	<u>26,371</u>	<u>539</u>	<u>26,910</u>
<i>Fund Balances Beginning of Year</i>	<u>114,657</u>	<u>3,263</u>	<u>117,920</u>
<i>Fund Balances End of Year</i>	<u>\$141,028</u>	<u>\$3,802</u>	<u>\$144,830</u>

See accompanying notes to the basic financial statements

Minerva Public Library
Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$831,498	\$823,044	\$823,985	\$941
Patron Fines and Fees	23,950	23,950	23,003	(947)
Contributions, Gifts and Donations	1,100	1,100	5,201	4,101
Earnings on Investments	2,400	2,400	5,253	2,853
Miscellaneous	0	0	2,772	2,772
<i>Total receipts</i>	858,948	850,494	860,214	9,720
Disbursements				
Current:				
Library Services	933,615	933,615	871,389	62,226
<i>Excess of Receipts (Under) Disbursements</i>	(74,667)	(83,121)	(11,175)	71,946
<i>Fund Balance Beginning of Year</i>	80,145	80,145	80,145	0
Prior Year Encumbrances Appropriated	34,512	34,512	34,512	0
<i>Fund Balance End of Year</i>	\$39,990	\$31,536	\$103,482	\$71,946

See accompanying notes to the basic financial statements

This page intentionally left blank.

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 1 – Description of the Library and Reporting Entity

The Minerva Public Library was organized as a school district public library in 1911 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Minerva Local School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

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

The Friends of the Minerva Public Library, Inc. was a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Friends of the Minerva Public Library, during 2007 other than providing one \$86 donation to the Library (from the Friends closing out of their checking account), was inactive and is now considered defunct. During 2006, other than applying for one unfunded grant, was inactive and made no contributions to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

The Library is associated with the Northeast Ohio Regional Library System (NEO-RLS) and with The Ohio Plan which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Note 10.

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

Note 2 - Summary of Significant Accounting Policies

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, which generally are financed through library and local government support.

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

Fund Financial Statements

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

B. Fund Accounting

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

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

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

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, respectively.

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (continued)

During 2007 and 2006, the Library's investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Total interest receipts credited to the general fund during 2007 and 2006 derived from STAR Ohio and a savings account amounted to \$7,470 and \$5,253, respectively.

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes included \$1,421 and \$3,802 gifted to the Capital Projects Fund for technology equipment purchases for 2007 and 2006, respectively.

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (continued)

K. Fund Balance Reserves

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

L. Interfund Transactions

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The Library had no interfund transactions during 2007 or 2006.

Note 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 – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) for 2007 and 2006 amounted to \$35,432 and \$37,546 for the general fund and \$0 and \$2,382 for the capital projects fund.

The adjustment to convert the results of operations for the year ended December 31, 2007, on the modified cash basis to the regulatory (budget) basis for the general fund is presented as follows:

<u>Fund Balance December 31, 2007</u>	<u>General</u>
Modified cash basis	\$196,453
Encumbrances	(35,432)
Adjusted Fund Balance December 31, 2007	<u>\$161,021</u>

The adjustment to convert the results of operations for the year ended December 31, 2006, on the modified cash basis to the regulatory (budget) basis for the general fund is presented as follows:

<u>Fund Balance December 31, 2006</u>	<u>General</u>
Modified cash basis	\$141,028
Encumbrances	(37,546)
Adjusted Fund Balance December 31, 2006	<u>\$103,482</u>

Note 4 - Deposits and Investments

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

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 4 - Deposits and Investments (continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

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

At December 31, 2007 and 2006, the Library had \$325 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 4 - Deposits and Investments (continued)

At December 31, 2007, the carrying amount of the Library's deposits was \$38,847 in checking and \$115,853 in savings and the bank balances were \$42,675 and \$115,853, respectively. Of the bank balances \$142,675 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$15,852 was covered by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. At December 31, 2006, the carrying amount of the Library's deposits was \$17,274 in checking and \$86,486 in savings and the bank balances were \$28,267 and \$86,486, respectively. Of the bank balances the total \$114,753 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments

As of December 31, 2007 and 2006, in addition to the deposits in checking and savings accounts listed above, the Library had invested \$42,849 and \$40,745 in STAR Ohio. Star Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio – 2007	\$42,849	Average
STAR Ohio – 2006	\$40,745	Average

Note 5 – Intergovernmental Receipts – Library Local and Government Support – State

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

Note 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.

In 2007, the Library joined two insurance groups obtaining health insurance through NEO-RLS as of January 2007 and property and liability insurance through The Ohio Plan as of April 2007.

The Library contracted with The Ohio Plan (through Whitaker Myers Insurance Agency, Inc.) for coverage including commercial property, general liability, employee benefits liability, auto liability, inland marine, fine arts, boiler systems breakdown, and directors and officer's liability. No claims were filed and there was no significant reduction in coverage from the prior year. The Library contracted for medical, prescription, dental, and vision health insurance through NEO-RLS (provided through Medical Mutual of Ohio).

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 6 - Risk Management (continued)

Both plans have similar structures with dues collected based upon premium calculations recovering claims costs and charges and based on actuarial projections and historical cost information. The premiums are adjusted over time so that the internal service fund receipts and disbursements are approximately equal to the claims and costs with reasonable provision for expected future catastrophe losses.

Upon joining The Ohio Plan each member executes a written agreement establishing and maintaining the risk coverage program. The membership document, in conjunction with the Administration Agreement between the Plan and its Administrator, Hylant Administrative Services, Inc. and the Code of Regulations, constitute the Plan's written agreement with its members. Member political subdivisions maintain control and supervision over the program. The Plan is managed by a Board of Directors, which is composed of individual representatives from various Plan members. Participation by Plan members is through attendance at the open meetings of the Plan's Board and/or communication with the Plan agent or Administrator.

Similarly, the Library became a consortium member for health insurance through NEO-RLS' plan administered by an advisory committee made up of members and governed by the NEO-RLS Board.

In 2006 the Library contracted with Utica National Insurance Group (through Minor Insurance Agency, LLC) for coverage including commercial property, general liability, employee benefits liability, auto liability, inland marine, fine arts, boiler systems breakdown, and directors and officer's liability. No claims were filed and there was no significant reduction in coverage from the prior year.

For 2007 and 2006, the Library paid the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 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, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5% of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85%. For the year ended December 31, 2006, the members of all three plans were required to contribute 9% of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7%. The Ohio Revised Code provides statutory authority for member and employer contributions.

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 7 - Defined Benefit Pension Plan (continued)

All of the Library's employees are in the traditional plan and required contributions for pension obligations to the traditional plan for the years ended December 31, 2007, 2006, and 2005, were for member employees \$37,151, \$40,620, and \$36,510 and were for the Library, \$30,599, \$44,106, and \$41,020, respectively. The full amount has been contributed for 2007 and 2006. Contributions paid to the member-directed plan for 2007 and 2006 were \$54,163 and \$61,832 made by the Library and \$37,151 and \$40,620 made by the plan members, respectively.

Note 8 – Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rates were 13.85% and 13.7% of covered payroll; 5% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007 and 4% of covered payroll was used to fund health care, respectively.

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, 2006, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4%) plus an additional factor ranging from .5% to 5% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$23,564 and \$17,726. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available) the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement board on September 9, 2004, became effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

Minerva Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 9 – Leases

The Library has entered into two ongoing lease agreements.

One is with the Auditor of State's Office for Uniform Accounting Network (UAN) software and computer hardware. UAN fees are calculated on the Library's total resources (unencumbered beginning of the year cash balances plus all receipts and other financing sources except interfund advances, transfers, and the proceeds from the sale of bonds, notes and other debt. The lease cost for 2007 and 2006 was \$165 for software plus another \$50 for computer hardware per month.

The other lease is with Pitney Bowes for a postage meter and scale at \$31.99 per month for 2007 and \$27.99 per month for 2006.

Note 10 – Jointly Governed Organizations

The Library is associated with Northeast Ohio Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. It has further entered into a consortium agreement through NEO-RLS and contracted with The Ohio Plan for property and liability insurance as of April 2007.



Mary Taylor, CPA

Auditor of State

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

Minerva Public Library
Stark County
677 Lynnwood Drive
Minerva, Ohio 44657-1200

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Minerva Public Library, Stark County, Ohio, (the Library) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 12, 2008, wherein we noted the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented and, as requested, operates UAN. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

May 12, 2008



Mary Taylor, CPA
Auditor of State

MINERVA PUBLIC LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2008**