



Mary Taylor, CPA  
Auditor of State



**BLANCHESTER PUBLIC LIBRARY  
CLINTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Public Library  
Clinton County  
110 N. Broadway  
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Blanchester Public Library, Clinton County, Ohio (the Library), as of and for the year ended December 31, 2007, 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 2C, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and each major fund, of Blanchester Public Library, Clinton County, Ohio, as of December 31, 2007, and the changes in cash financial position and the respective budgetary comparison for the General Fund and Levy Fund and thereof for the year then ended in conformity with the basis of accounting Note 2C describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 17, 2008

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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

### **Highlights**

Key highlights for 2007 are as follows:

Net assets of governmental activities only decreased by \$3,271 or 1.09 percent, a change from the prior year which showed a decrease of 12.09 percent. The funds most affected by the decrease in cash and cash equivalents were the General Fund, which showed a decrease of \$48,904 or 23.4 percent and the Levy Fund which showed an increase of \$43,139 or 229%.

The Library's general receipts are primarily the Library and Local Government Support Fund. These receipts represent 78.34 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2007 changed very little compared to 2006 due to a freeze of LLGSF by the Ohio government.

The Building and Repair Fund had an increase of \$2,494 or 3.6 percent.

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

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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

### **Reporting the Library as a Whole**

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

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

### **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.

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 Library's major governmental funds are the General Fund, the Levy Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**The Library as a Whole**

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

(Table 1)

**Net Assets**

|                           | <u>Governmental Activities</u> |                         |
|---------------------------|--------------------------------|-------------------------|
|                           | <u>2007</u>                    | <u>2006</u>             |
| <b>Assets</b>             |                                |                         |
| Cash and Cash Equivalents | <u>\$294,313</u>               | <u>\$297,584</u>        |
| Total Assets              | <u><u>\$294,313</u></u>        | <u><u>\$297,584</u></u> |
| <br>                      |                                |                         |
| <b>Net Assets</b>         |                                |                         |
| Unrestricted              | <u>294,313</u>                 | <u>297,584</u>          |
| Total Net Assets          | <u><u>\$294,313</u></u>        | <u><u>\$297,584</u></u> |

As mentioned previously, net assets of governmental activities decreased \$3,271 or 1.09 percent during 2007. While the General Fund had a decrease in net assets, the Levy Fund and the Building and Repair Fund had an increase in net assets.

- The LLGSF revenue has remained the same due to the freeze placed on it by the Ohio government but the Library's overall expenditures have increased.

Table 2 reflects the changes in net assets on a cash basis in 2007.

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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|                                    | Governmental     |                  |
|------------------------------------|------------------|------------------|
|                                    | Activities       |                  |
|                                    | <u>2007</u>      | <u>2006</u>      |
| Receipts:                          |                  |                  |
| Program Receipts:                  |                  |                  |
| Patron Fines and Fees/Misc         | \$15,863         | \$11,503         |
| Total Program Receipts             | <u>15,863</u>    | <u>11,503</u>    |
| General Receipts:                  |                  |                  |
| LLGSF                              | 509,019          | 507,522          |
| Contributions, Gifts and Donations | 2,840            | 2,934            |
| Earnings on Investments            | 4,376            | 3,526            |
| Property and Other Local Taxes     | <u>117,458</u>   | <u>106,807</u>   |
| Total General Receipts             | <u>633,693</u>   | <u>620,789</u>   |
| Total Receipts                     | <u>649,556</u>   | <u>632,292</u>   |
| <br>                               |                  |                  |
| Disbursements:                     |                  |                  |
| Library Services                   | 604,629          | 583,709          |
| Capital Outlay                     | <u>98,198</u>    | <u>89,507</u>    |
| Total Disbursements                | <u>702,827</u>   | <u>673,216</u>   |
| <br>                               |                  |                  |
| Excess (Deficiency)                | (53,271)         | (40,924)         |
| <br>                               |                  |                  |
| <b>Other Financing Sources</b>     |                  |                  |
| Notes Issued                       | <u>50,000</u>    | <u>0</u>         |
| Total Other Financing Sources      | 50,000           | 0                |
| <br>                               |                  |                  |
| Net Change                         | (3,271)          | (40,924)         |
| <br>                               |                  |                  |
| Net Assets, January 1              | <u>297,584</u>   | <u>338,508</u>   |
| Net Assets, December 31            | <u>\$294,313</u> | <u>\$297,584</u> |

Program receipts represent only 2.4 percent of total receipts and are primarily comprised of fines for lost books and copies.

General receipts represent 97.6 percent of the Library's total receipts, and of this amount, 78.3 percent is LLGSF and 18.1 percent is tax revenue. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

Disbursements for Library services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs payroll and maintenance of the building.

Blanchester Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2007  
 Unaudited

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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for Library services are for library materials, facilities operation/maintenance and payroll/benefits, which accounts for 86.3 percent of governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. 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<br>of Services<br>2007 | Net Cost<br>of Services<br>2007 | Total Cost<br>of Services<br>2006 | Net Cost<br>of Services<br>2006 |
|------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Library Services | \$604,629                         | \$588,766                       | \$583,709                         | \$572,206                       |
| Capital Outlay   | \$98,198                          | \$98,198                        | \$89,507                          | \$89,507                        |
| Total Expenses   | \$702,827                         | \$686,964                       | \$673,216                         | \$661,713                       |

The dependence upon LLGSF tax receipts is apparent as over 80.3 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$699,556 and disbursements of \$702,827. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$48,904 as the result of various capital outlay, materials and supplies expenditures and the purchase of real estate.

The Levy Fund receipts were greater than disbursements by \$43,139. The Building and Repair Fund receipts were more than disbursements by \$2,494.

**General Fund Budgeting Highlights**

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

During 2006, the Library amended its General Fund budget. Final budgeted receipts were \$558,524 while actual receipts were \$569,109.

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Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
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Final disbursements were budgeted at \$767,928 while actual disbursements were \$628,968.

**Capital Assets and Debt Administration**

Capital Assets

The Library does not currently record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2006, the Library has a \$50,000 Special Obligation Property Acquisition Note.

**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 Library and Local Government Support Fund. The Finance Committee and the administration have recommended strategies to reduce costs.

**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 Pamela Smith, Clerk-Treasurer, Blanchester Public Library, 110 North Broadway St., Blanchester, Ohio 45107.

**Blanchester Public Library**  
**Clinton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$294,313</u>                   |
| <i>Total Assets</i>                        | <u><u>\$294,313</u></u>            |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Unrestricted                               | <u>294,313</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$294,313</u></u>            |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

|   | Program Cash Receipts |                                      | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|---|-----------------------|--------------------------------------|--|
|   | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>                              |                       |                                      |  |
| Library Services:   | \$604,629             | \$15,863                             | (588,766)  |
| Capital Outlay  | 98,198                | 0                                    | (98,198)   |
| <i>Total Governmental Activities</i>                        | <u>\$702,827</u>      | <u>\$15,863</u>                      | <u>(686,964)</u>   |
| <b>General Receipts</b>                                     |                       |                                      |  |
| Property and Other Local Taxes                              |                       |                                      | 117,458  |
| Unrestricted Gifts and Contributions                        |                       |                                      | 2,840  |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                      | 509,019  |
| Notes Issued  |                       |                                      | 50,000   |
| Earnings on Investments                                     |                       |                                      | 4,376  |
| <i>Total General Receipts</i>                               |                       |                                      | 683,693  |
| Change in Net Assets  |                       |                                      | (3,271)  |
| <i>Net Assets Beginning of Year</i>                         |                       |                                      | 297,584  |
| <i>Net Assets End of Year</i>                               |                       |                                      | <u>\$294,313</u>   |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

|  | General          | Levy<br>Fund    | Building<br>& Repair | Total<br>Governmental<br>Funds |
|--|------------------|-----------------|----------------------|--------------------------------|
| <b>Assets</b>                              |                  |                 |                      |                                |
| Equity in Pooled Cash and Cash Equivalents | \$160,500        | \$61,979        | \$71,834             | \$294,313                      |
| <i>Total Assets</i>                        | <u>\$160,500</u> | <u>\$61,979</u> | <u>\$71,834</u>      | <u>\$294,313</u>               |
| <b>Fund Balances</b>                       |                  |                 |                      |                                |
| Reserved:                                  |                  |                 |                      |                                |
| Reserved for Encumbrances                  | \$10,955         | \$0             | \$0                  | \$10,955                       |
| Unreserved:                                |                  |                 |                      |                                |
| Undesignated, Reported in:                 |                  |                 |                      |                                |
| General Fund                               | 149,545          |                 |                      | 149,545                        |
| Special Revenue Funds                      |                  | 61,979          |                      | 61,979                         |
| Capital Projects Funds                     |                  |                 | 71,834               | 71,834                         |
| <i>Total Fund Balances</i>                 | <u>\$160,500</u> | <u>\$61,979</u> | <u>\$71,834</u>      | <u>\$294,313</u>               |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

|  | General                 | Levy<br>Fund           | Building<br>& Repair   | Total<br>Governmental<br>Funds |
|--|-------------------------|------------------------|------------------------|--------------------------------|
| <b>Receipts</b>                                      |                         |                        |                        |                                |
| Library and Local Government Support                 | \$498,524               | \$10,495               |                        | \$509,019                      |
| Property and Other Taxes                             |                         | \$117,458              |                        | \$117,458                      |
| Patron Fines and Fees                                | 10,703                  |                        |                        | 10,703                         |
| Contributions, Gifts and Donations                   | 2,840                   |                        |                        | 2,840                          |
| Earnings on Investments                              | 1,882                   |                        | 2,494                  | 4,376                          |
| Miscellaneous  | 5,160                   |                        |                        | 5,160                          |
| <i>Total Receipts</i>                                | <u>519,109</u>          | <u>127,953</u>         | <u>2,494</u>           | <u>649,556</u>                 |
| <b>Disbursements</b>                                 |                         |                        |                        |                                |
| Current:   |                         |                        |                        |                                |
| Library Services                                     | 519,815                 | 84,814                 |                        | 604,629                        |
| Capital Outlay                                       | 98,198                  | 0                      |                        | 98,198                         |
| <i>Total Disbursements</i>                           | <u>618,013</u>          | <u>84,814</u>          | <u>0</u>               | <u>702,827</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(98,904)</u>         | <u>43,139</u>          | <u>2,494</u>           | <u>(53,271)</u>                |
| <b>Other Financing Sources (Uses)</b>                |                         |                        |                        |                                |
| Notes Issued   | 50,000                  |                        |                        | 50,000                         |
| Total Other Financing Sources                        | <u>50,000</u>           |                        |                        | <u>50,000</u>                  |
| <i>Net Change in Fund Balances</i>                   | <u>(48,904)</u>         | <u>43,139</u>          | <u>2,494</u>           | <u>(3,271)</u>                 |
| <i>Fund Balances Beginning of Year</i>               | <u>209,404</u>          | <u>18,840</u>          | <u>69,340</u>          | <u>297,584</u>                 |
| <i>Fund Balances End of Year</i>                     | <u><u>\$160,500</u></u> | <u><u>\$61,979</u></u> | <u><u>\$71,834</u></u> | <u><u>\$294,313</u></u>        |

See accompanying notes to the basic financial statements



**Blanchester Public Library**  
**Clinton 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<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|-----------|-----------|---|
|  | Original         | Final     |           |   |
| <b>Receipts</b>                                      |                  |           |           |   |
| Library and Local Government Support                 | \$498,524        | \$498,524 | \$498,524 | \$0   |
| Patron Fines and Fees                                | 8,000            | 8,000     | 10,703    | 2,703   |
| Contributions, Gifts and Donations                   | 0                | 0         | 2,840     | 2,840   |
| Earnings on Investments                              | 1,500            | 1,500     | 1,882     | 382   |
| Miscellaneous  | 500              | 500       | 5,160     | 4,660   |
| <i>Total receipts</i>                                | 508,524          | 508,524   | 519,109   | 10,585  |
| <b>Disbursements</b>                                 |                  |           |           |   |
| Current:   |                  |           |           |   |
| Library Services                                     | 639,909          | 629,909   | 530,770   | 99,139  |
| Capital Outlay                                       | 128,019          | 138,019   | 98,198    | 39,821  |
| <i>Total Disbursements</i>                           | 767,928          | 767,928   | 628,968   | 138,960   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (259,404)        | (259,404) | (109,859) | 149,545   |
| <b>Other Financing Sources (Uses)</b>                |                  |           |           |   |
| Notes Issued   | 50,000           | 50,000    | 50,000    | 0   |
| <i>Total Other Financing Sources (Uses)</i>          | 50,000           | 50,000    | 50,000    | 0   |
| <i>Net Change in Fund Balance</i>                    | (209,404)        | (209,404) | (59,859)  | 149,545   |
| <i>Fund Balance Beginning of Year</i>                | 199,670          | 199,670   | 199,670   | 0   |
| Prior Year Encumbrances Appropriated                 | 9,734            | 9,734     | 9,734     | 0   |
| <i>Fund Balance End of Year</i>                      | \$0              | \$0       | \$149,545 | \$149,545   |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Levy Fund*  
*For the Year Ended December 31, 2007*

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | Variance with                          |
|--|-------------------------|-----------------|-----------------|--|
|  | <u>Original</u>         | <u>Final</u>    |                 | Final Budget<br>Positive<br>(Negative) |
| <b>Receipts</b>                                      |                         |                 |                 |  |
| Property and Other Local Taxes                       | \$107,367               | \$107,367       | \$117,458       | \$10,091                               |
| Intergovernmental                                    | 10,495                  | 10,495          | 10,495          | 0                                      |
| <i>Total receipts</i>                                | <u>117,862</u>          | <u>117,862</u>  | <u>127,953</u>  | <u>10,091</u>                          |
| <b>Disbursements</b>                                 |                         |                 |                 |  |
| Current:   |                         |                 |                 |  |
| Library Services                                     | 136,702                 | 136,702         | 84,814          | 51,888                                 |
| <i>Total Disbursements</i>                           | <u>136,702</u>          | <u>136,702</u>  | <u>84,814</u>   | <u>51,888</u>                          |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(18,840)</u>         | <u>(18,840)</u> | <u>43,139</u>   | <u>61,979</u>                          |
| <i>Fund Balance Beginning of Year</i>                | 18,840                  | 18,840          | 18,840          | 0                                      |
| Prior Year Encumbrances Appropriated                 | <u>0</u>                | <u>0</u>        | <u>0</u>        | <u>0</u>                               |
| <i>Fund Balance End of Year</i>                      | <u>\$0</u>              | <u>\$0</u>      | <u>\$61,979</u> | <u>\$61,979</u>                        |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

The Blanchester Public Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Blanchester Local School Board. The Library also determines and operates under its own budget. Control and management of the Library is governed by 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 that of the Clerk-Treasurer. The Library provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

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 Blanchester Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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.

**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 statement of net assets presents the financial condition 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 or draws from the Library's general receipts.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

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

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. The Library has chosen to present all of their funds as major funds.

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 categorized as governmental.

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.

Special Levy Fund – This fund is used to record receipts and disbursements associated with a tax levy.

Building Fund – This fund is used to record the receipts and expenditures associated with the Library's building repairs.

C. Basis of Accounting

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

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

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

**D. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. 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. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

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.

During 2007, investments were limited to certificates of deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2007 amounted to \$1,882.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

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

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's 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 post-retirement 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. There were no restrictions due to enabling legislation.

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

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.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**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 – Budgetary Basis presented for the general fund and levy 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$10,955 for the General Fund.

**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.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 4 – Deposits and Investments** (continued)

7. The State Treasurer’s investment pool (STAR Ohio).

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

At year end, the Library had \$75 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$173,740 of the Library’s bank balance of \$273,740 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

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

Investments

As of December 31, 2007, the Library had the following investments:

|                         |                       |                 |
|-------------------------|-----------------------|-----------------|
|                         | <u>Carrying Value</u> | <u>Maturity</u> |
| Certificates of Deposit | \$60,000              | One Year        |

**Note 5 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Library had obtained commercial insurance for comprehensive property and general liability and errors and omissions.

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.



**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 6 – Grants-in-Aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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, or other expenses. The Budget commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants in Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**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 Pension 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 Pension 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 Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2007 has been contributed.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 8 – Post-employment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment benefit as described in *GASB Statement No. 12*.

A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll. The portion of employer contributions allocated to health care was 4.5 percent.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, and an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

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

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

**Note 9 - Debt**

On November 29, 2007, the Library utilized the proceeds of a \$50,000 note to supplement their payment for the purchase of real estate.

Special Obligation Property Acquisition Note  
\$50,000  
3.75%

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
*(Continued)*

**Note 9 – Debt** (continued)

The amortization schedule to retire the \$50,000 note, including interest payments of \$10,156 is below:

| Year Ending<br>December 31, |                 |
|-----------------------------|-----------------|
| 2008                        | \$6,719         |
| 2009                        | \$6,688         |
| 2010                        | \$6,500         |
| 2011                        | \$6,312         |
| 2012                        | \$6,125         |
| 2013-2017                   | <u>\$27,812</u> |
| Totals                      | <u>\$60,156</u> |

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Public Library  
Clinton County  
110 N. Broadway  
Blanchester, Ohio 45107

To the Board of Trustees:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and each major fund, of Blanchester Public Library, Clinton County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund and Levy Fund and thereof for the year then ended in conformity with the basis of accounting Note 2C describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 17, 2008

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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

### **Highlights**

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased by \$40,924, or 12.09 percent, a significant change from the prior year which showed an increase of 8 percent. The fund most affected by the decrease in cash and cash equivalents was the Levy Fund, which showed a decrease of \$30,687 or 62 percent. The decrease is due to an increase in capital outlay and library material expenditures.

The Library's general receipts are primarily the Library and Local Government Support Fund. These receipts represent 80.3 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2006 changed very little compared to 2005 due to a freeze of LLGSF by the Ohio government.

The Building and Repair Fund had an increase of \$1,817 or 2.7 percent.

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

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

#### **Report Components**

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

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

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

#### **Basis of Accounting**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Library as a Whole**

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

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

**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 split into two categories: governmental and fiduciary.

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 Library's major governmental funds are the General Fund, the Levy Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Library as a Whole**

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

(Table 1)

**Net Assets**

|                           | Governmental Activities |           |
|---------------------------|-------------------------|-----------|
|                           | 2006                    | 2005      |
| <b>Assets</b>             |                         |           |
| Cash and Cash Equivalents | \$297,584               | \$338,508 |
| Total Assets              | \$297,584               | \$338,508 |
| <br><b>Net Assets</b>     |                         |           |
| Unrestricted              | 297,584                 | 338,508   |
| Total Net Assets          | \$297,584               | \$338,508 |

As mentioned previously, net assets of governmental activities decreased \$40,924 or 12.09 percent during 2006. While the General Fund and the Levy Fund had decreases in net assets, the Building and Repair Fund had an increase in net assets.

- The LLGSF revenue has remained the same due to the freeze placed on it by the Ohio government but the Library's overall expenditures have increased.

Table 2 reflects the changes in net assets on a cash basis in 2006.

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**Changes in Net Assets**

|                                    | Governmental<br>Activities |                         |
|------------------------------------|----------------------------|-------------------------|
|                                    | <u>2006</u>                | <u>2005</u>             |
| Receipts:                          |                            |                         |
| Program Receipts:                  |                            |                         |
| Patron Fines and Fees/Misc         | \$11,503                   | \$14,101                |
| Total Program Receipts             | <u>11,503</u>              | <u>14,101</u>           |
| General Receipts:                  |                            |                         |
| LLGSF                              | 507,522                    | 508,379                 |
| Contributions, Gifts and Donations | 2,934                      | 650                     |
| Earnings on Investments            | 3,526                      | 2,414                   |
| Property and Other Local Taxes     | <u>106,807</u>             | <u>102,550</u>          |
| Total General Receipts             | <u>620,789</u>             | <u>613,993</u>          |
| Total Receipts                     | <u>632,292</u>             | <u>628,094</u>          |
| <br>                               |                            |                         |
| Disbursements:                     |                            |                         |
| Library Services                   | 583,709                    | 576,223                 |
| Capital Outlay                     | <u>89,507</u>              | <u>26,771</u>           |
| Total Disbursements                | <u>673,216</u>             | <u>602,994</u>          |
| <br>                               |                            |                         |
| Excess (Deficiency)                | (40,924)                   | 25,100                  |
| <br>                               |                            |                         |
| Net Assets, January 1              | <u>338,508</u>             | <u>313,409</u>          |
| Net Assets, December 31            | <u><u>\$297,584</u></u>    | <u><u>\$338,508</u></u> |

Program receipts represent only 1.8 percent of total receipts and are primarily comprised of fines for lost books and copies.

General receipts represent 98.2 percent of the Library's total receipts, and of this amount, 80.3 percent is LLGSF and 16.9 percent is tax revenue. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

Disbursements for Library services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs payroll and maintenance of the building.

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for Library services are for library materials, facilities operation/maintenance and payroll/benefits, which accounts for 86.7 percent of governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. 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<br>of Services<br>2006 | Net Cost<br>of Services<br>2006 | Total Cost<br>of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|-----------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Library Services      | \$583,709                         | \$572,206                       | \$576,223                         | \$562,122                       |
| Capital Outlay        | \$89,507                          | \$89,507                        | \$26,771                          | \$26,771                        |
| <b>Total Expenses</b> | <b>\$673,216</b>                  | <b>\$661,713</b>                | <b>\$602,994</b>                  | <b>\$588,893</b>                |

The dependence upon LLGSF tax receipts is apparent as over 80.3 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$632,292 and disbursements of \$673,216. The greatest change within governmental funds occurred within the Levy Fund Fund. The fund balance of the Levy Fund decreased \$30,687 as the result of various capital outlay and materials and supplies expenditures.

General Fund receipts were less than disbursements by \$12,054. The Building and Repair Fund receipts were more than disbursements by \$1.817.

**General Fund Budgeting Highlights**

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

During 2006, the Library amended its General Fund budget. Final budgeted receipts were \$508,523 while actual receipts were \$514,829.

Final disbursements were budgeted at \$721,928 while actual disbursements were \$536,617.

Blanchester Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**Capital Assets and Debt Administration**

Capital Assets

The Library does not currently record its capital assets and infrastructure on the financial statements.

Debt

At December 31, 2006, the Library had no outstanding debt.

**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 Library and Local Government Support Fund. The Finance Committee and the administration have recommended strategies to reduce costs.

**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 Pamela Smith, Clerk-Treasurer, Blanchester Public Library, 110 North Broadway St., Blanchester, Ohio 45107.

**Blanchester Public Library**  
**Clinton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$297,584</u>                   |
| <i>Total Assets</i>                        | <u><u>\$297,584</u></u>            |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Unrestricted                               | <u>297,584</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$297,584</u></u>            |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

|                                      | Program Cash Receipts |   | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|--------------------------------------|-----------------------|---|--|
|                                      | Cash<br>Disbursements | Charges<br>for Services<br>and Sales                        | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>       |                       |   |  |
| Library Services:                    | \$583,709             | \$11,503  | (572,206)  |
| Capital Outlay                       | 89,507                | 0   | (89,507)   |
| <i>Total Governmental Activities</i> | <u>\$673,216</u>      | <u>\$11,503</u>   | <u>(661,713)</u>   |
|                                      |                       | <b>General Receipts</b>                                     |  |
|                                      |                       | Property and Other Local Taxes                              | 106,807  |
|                                      |                       | Unrestricted Gifts and Contributions                        | 2,934  |
|                                      |                       | Grants and Entitlements not Restricted to Specific Programs | 507,522  |
|                                      |                       | Earnings on Investments                                     | 3,526  |
|                                      |                       | <i>Total General Receipts</i>                               | 620,789  |
|                                      |                       | Change in Net Assets  | (40,924)   |
|                                      |                       | <i>Net Assets Beginning of Year</i>                         | 338,508  |
|                                      |                       | <i>Net Assets End of Year</i>                               | <u>\$297,584</u>   |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

|  | General          | Levy<br>Fund    | Building<br>& Repair | Total<br>Governmental<br>Funds |
|--|------------------|-----------------|----------------------|--------------------------------|
| <b>Assets</b>                              |                  |                 |                      |                                |
| Equity in Pooled Cash and Cash Equivalents | \$209,404        | \$18,840        | \$69,340             | \$297,584                      |
| <i>Total Assets</i>                        | <u>\$209,404</u> | <u>\$18,840</u> | <u>\$69,340</u>      | <u>\$297,584</u>               |
| <b>Fund Balances</b>                       |                  |                 |                      |                                |
| Reserved:                                  |                  |                 |                      |                                |
| Reserved for Encumbrances                  | \$9,734          | \$0             | \$0                  | \$9,734                        |
| Unreserved:                                |                  |                 |                      |                                |
| Undesignated (Deficit), Reported in:       |                  |                 |                      |                                |
| General Fund                               | 199,670          |                 |                      | 199,670                        |
| Special Revenue Funds                      |                  | 18,840          |                      | 18,840                         |
| Capital Projects Funds                     |                  |                 | 69,340               | 69,340                         |
| <i>Total Fund Balances</i>                 | <u>\$209,404</u> | <u>\$18,840</u> | <u>\$69,340</u>      | <u>\$297,584</u>               |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

|  | General          | Levy<br>Fund    | Building<br>& Repair | Total<br>Governmental<br>Funds |
|--|------------------|-----------------|----------------------|--------------------------------|
| <b>Receipts</b>                                      |                  |                 |                      |                                |
| Library and Local Government Support                 | \$498,683        | \$8,839         |                      | \$507,522                      |
| Property and Other Taxes                             |                  | \$106,807       |                      | \$106,807                      |
| Patron Fines and Fees                                | 10,637           |                 |                      | 10,637                         |
| Contributions, Gifts and Donations                   | 2,934            |                 |                      | 2,934                          |
| Earnings on Investments                              | 1,709            |                 | 1,817                | 3,526                          |
| Miscellaneous  | 866              |                 |                      | 866                            |
| <i>Total Receipts</i>                                | <u>514,829</u>   | <u>115,646</u>  | <u>1,817</u>         | <u>632,292</u>                 |
| <b>Disbursements</b>                                 |                  |                 |                      |                                |
| Current:   |                  |                 |                      |                                |
| Library Services                                     | 453,457          | 130,252         |                      | 583,709                        |
| Capital Outlay                                       | 73,426           | 16,081          |                      | 89,507                         |
| <i>Total Disbursements</i>                           | <u>526,883</u>   | <u>146,333</u>  | <u>0</u>             | <u>673,216</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(12,054)</u>  | <u>(30,687)</u> | <u>1,817</u>         | <u>(40,924)</u>                |
| <i>Net Change in Fund Balances</i>                   | (12,054)         | (30,687)        | 1,817                | (40,924)                       |
| <i>Fund Balances Beginning of Year</i>               | <u>221,458</u>   | <u>49,527</u>   | <u>67,523</u>        | <u>338,508</u>                 |
| <i>Fund Balances End of Year</i>                     | <u>\$209,404</u> | <u>\$18,840</u> | <u>\$69,340</u>      | <u>\$297,584</u>               |

See accompanying notes to the basic financial statements



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

|  | <u>Budgeted Amounts</u> |                       | <u>Actual</u>           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-----------------------|-------------------------|---|
|  | <u>Original</u>         | <u>Final</u>          |                         |   |
| <b>Receipts</b>                                      |                         |                       |                         |   |
| Library and Local Government Support                 | \$498,523               | \$498,523             | \$498,683               | \$160   |
| Patron Fines and Fees                                | 8,000                   | 8,000                 | 10,637                  | 2,637   |
| Contributions, Gifts and Donations                   | 0                       | 0                     | 2,934                   | 2,934   |
| Earnings on Investments                              | 1,500                   | 1,500                 | 1,709                   | 209   |
| Miscellaneous  | 500                     | 500                   | 866                     | 366   |
| <i>Total receipts</i>                                | <u>508,523</u>          | <u>508,523</u>        | <u>514,829</u>          | <u>6,306</u>  |
| <b>Disbursements</b>                                 |                         |                       |                         |   |
| Current:   |                         |                       |                         |   |
| Library Services                                     | 564,103                 | 564,703               | 462,716                 | 101,987   |
| Capital Outlay                                       | 157,825                 | 157,225               | 73,901                  | 83,324  |
| <i>Total Disbursements</i>                           | <u>721,928</u>          | <u>721,928</u>        | <u>536,617</u>          | <u>185,311</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(213,405)</u>        | <u>(213,405)</u>      | <u>(21,788)</u>         | <u>191,617</u>  |
| <i>Net Change in Fund Balance</i>                    | (213,405)               | (213,405)             | (21,788)                | 191,617   |
| <i>Fund Balance Beginning of Year</i>                | 213,475                 | 213,475               | 213,475                 | 0   |
| Prior Year Encumbrances Appropriated                 | <u>7,983</u>            | <u>7,983</u>          | <u>7,983</u>            | <u>0</u>  |
| <i>Fund Balance End of Year</i>                      | <u><u>\$8,053</u></u>   | <u><u>\$8,053</u></u> | <u><u>\$199,670</u></u> | <u><u>\$191,617</u></u>                                 |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
**Clinton County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Levy Fund*  
*For the Year Ended December 31, 2006*

|  | <u>Budgeted Amounts</u> |                 | <u>Actual</u>   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-----------------|-----------------|---|
|  | <u>Original</u>         | <u>Final</u>    |                 |   |
| <b>Receipts</b>                                      |                         |                 |                 |   |
| Property and Other Local Taxes                       | \$106,807               | \$106,807       | \$106,807       | \$0   |
| Intergovernmental                                    | 6,381                   | 6,381           | 8,839           | 2,458   |
| <i>Total receipts</i>                                | <u>113,188</u>          | <u>113,188</u>  | <u>115,646</u>  | <u>2,458</u>  |
| <b>Disbursements</b>                                 |                         |                 |                 |   |
| Current:   |                         |                 |                 |   |
| Library Services                                     | 134,187                 | 134,187         | 130,252         | 3,935   |
| Capital Outlay                                       | 30,000                  | 27,188          | 16,081          | 11,107  |
| <i>Total Disbursements</i>                           | <u>164,187</u>          | <u>161,375</u>  | <u>146,333</u>  | <u>15,042</u>   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(50,999)</u>         | <u>(48,187)</u> | <u>(30,687)</u> | <u>17,500</u>   |
| <i>Fund Balance Beginning of Year</i>                | 48,187                  | 48,187          | 48,187          | 0   |
| Prior Year Encumbrances Appropriated                 | 1,340                   | 1,340           | 1,340           | 0   |
| <i>Fund Balance End of Year</i>                      | <u>(\$1,472)</u>        | <u>\$1,340</u>  | <u>\$18,840</u> | <u>\$17,500</u>   |

See accompanying notes to the basic financial statements

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*

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

The Blanchester Public Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Blanchester Local School Board. The Library also determines and operates under its own budget. Control and management of the Library is governed by 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 that of the Clerk-Treasurer. The Library provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

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 Blanchester Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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.

**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 statement of net assets presents the financial condition 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 or draws from the Library's general receipts.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
*(Continued)*

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

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. The Library has chosen to present all of their funds as major funds.

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 categorized as governmental.

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.

Levy Fund – This fund is used to record receipts and disbursements associated with a tax levy.

Building and Repair Fund – This fund is used to record the receipts and expenditures associated with the Library's building repairs.

C. Basis of Accounting

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

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
(Continued)

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

**D. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. 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. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

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.

During 2006, investments were limited to certificates of deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 amounted to \$1,709.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
(Continued)

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

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's 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 post-retirement 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. There were no restrictions due to enabling legislation.

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

**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.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
*(Continued)*

**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 – Budgetary 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$9,734 for the General Fund.

**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.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
(Continued)

**Note 4 – Deposits and Investments** (continued)

7. The State Treasurer’s investment pool (STAR Ohio).

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

At year end, the Library had \$75 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$164,975 of the Library’s bank balance of \$264,975 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

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

Investments

As of December 31, 2006, the Library had the following investments:

|                         |                       |                 |
|-------------------------|-----------------------|-----------------|
|                         | <u>Carrying Value</u> | <u>Maturity</u> |
| Certificates of Deposit | \$60,000              | One Year        |

**Note 5 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Library had obtained commercial insurance for comprehensive property and general liability and errors and omissions.

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.



**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
(Continued)

**Note 6 – Grants-in-Aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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, or other expenses. The Budget commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants in Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**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 Pension 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 Pension 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 Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 percent of covered payroll.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the year ended December 31, 2006 has been contributed.

**Blanchester Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2006*  
(Continued)

**Note 8 – Post-employment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment benefit as described in *GASB Statement No. 12*.

A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll. The portion of employer contributions allocated to health care was 4.5 percent.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, and an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4 percent base increase were assumed to range from .50 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. Actual employer contributions which were used to fund post-employment benefits were \$17,892. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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



# 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*

Blanchester Public Library  
Clinton County  
110 N. Broadway  
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the financial statements of the Blanchester Public Library, Clinton County, Ohio (the Library), as of and for the year ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 17, 2008, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the Library's management in a separate letter dated November 17, 2008.

#### **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 management and Library Board of Trustees. 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

November 17, 2008



Mary Taylor, CPA  
Auditor of State

BLANCHESTER PUBLIC LIBRARY

CLINTON 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  
DECEMBER 31, 2008