



Mary Taylor, CPA  
Auditor of State



**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report.....  | 1           |
| Management's Discussion and Analysis – For the Year Ended December 31, 2007 .....   | 3           |
| Basic Financial Statements  |             |
| Statement of Net Assets – Cash Basis – December 31, 2007 .....  | 9           |
| Statement of Activities – Cash Basis – For the Year Ended December 31, 2007.....  | 10          |
| Statement of Cash Basis Assets and Fund Balances –<br>Governmental Funds - December 31, 2007 .....  | 11          |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances –<br>Governmental Funds - For the Year Ended December 31, 2007.....                        | 12          |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual<br>Budget Basis - General Fund - For the Year Ended December 31, 2007 .....             | 13          |
| Notes to the Financial Statements – For the Fiscal Year Ended December 31, 2007 .....   | 15          |
| Management's Discussion and Analysis – For the Fiscal Year Ended December 31, 2006.....   | 23          |
| Statement of Net Assets – Cash Basis – December 31, 2006 .....  | 29          |
| Statement of Activities – Cash Basis – For the Year Ended December 31, 2006.....  | 30          |
| Statement of Cash Basis Assets and Fund Balances –<br>Governmental Funds - December 31, 2006 .....  | 31          |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances –<br>Governmental Funds - For the Year Ended December 31, 2006.....                        | 32          |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual<br>Budget Basis - General Fund - For the Year Ended December 31, 2006.....              | 33          |
| Notes to the Financial Statements – For the Year Ended December 31, 2006.....   | 35          |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 43          |

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Coldwater Public Library  
Mercer County  
305 West Main Street  
Coldwater, Ohio 45828

To the Board of Trustees:

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

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This 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 Coldwater Public Library, Mercer County, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 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

June 9, 2008

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

This discussion and analysis of the Coldwater 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 decreased \$6,661 or 7.3 percent in 2007. The General Fund was the fund most affected by this decrease.
- The Library's general receipts are primarily LLGSF (Library & Local Government Support Fund) receipts. These receipts represent 94% of the total cash received for library services and operations during the year. LLGSF receipts for 2007 remained the same as 2006 receipts.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts are from patron library fines and fees. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity 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.

In the statement of net assets and the statement of activities, the library only has governmental activities.

**Governmental activities:** The Library's basic services are reported here. LLGSF receipts finance most of these activities.

**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 Library has only governmental funds.

**Governmental Funds** - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 funds are the General Fund, Capital Projects Fund, Desch Fund, and Schoch Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

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

**(Table 1)  
Net Assets**

| <b>Assets</b>             | <b>Governmental<br/>Activities<br/>2007</b> | <b>Governmental<br/>Activities<br/>2006</b> |
|---------------------------|---|---|
| Cash and Cash Equivalents | \$14,251                                    | \$23,404                                    |
| Investments               | 70,753                                      | 68,261                                      |
| <b>Total Assets</b>       | <b>85,004</b>                               | <b>91,665</b>                               |

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

| <b>Net Assets</b>       | <b>Governmental<br/>Activities<br/>2007</b> | <b>Governmental<br/>Activities<br/>2006</b> |
|-------------------------|---|---|
| <b>Restricted for:</b>  |   |   |
| Capital Projects        | 20,317                                      | 19,324                                      |
| Desch Permanent Fund    | 10,000                                      | 10,000                                      |
| Schoch Permanent Fund   | 10,000                                      | 10,000                                      |
| Unrestricted            | 44,687                                      | 52,341                                      |
| <b>Total Net Assets</b> | <b>\$85,004</b>                             | <b>\$91,665</b>                             |

As mentioned previously, net assets of governmental activities decreased \$6,661 in 2007. The primary reason contributing to the decreases in cash balances are as follows:

- The library's expenditures increased considerably due to the purchase of 12 new computers and software as well as installation of a firewall totaling over \$14,000.00

Table 2 reflects the changes in net assets in 2007 compared to 2006 on a cash basis.

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

|  | <b>Governmental<br/>Activities<br/>2007</b> | <b>Governmental<br/>Activities<br/>2006</b> |
|--|---|---|
| <b>Receipts:</b>   |   |   |
| <b>Program Receipts:</b>                                       |   |   |
| Charges for Services and Sales                                 | \$8,024                                     | \$8,658                                     |
| Total Program Receipts   | 8,024                                       | 8,658                                       |
| <b>General Receipts:</b>                                       |   |   |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 256,790                                     | 256,790                                     |
| Sale of Fixed Assets   | 1,153                                       | 931   |
| Interest   | 4,259                                       | 3,574                                       |
| Miscellaneous  | 968   | 14  |
| Unrestricted Contributions                                     | 2,750                                       |   |
| Total General Receipts   | 265,920                                     | 261,309                                     |
| Total Receipts   | 273,944                                     | 269,967                                     |
| <b>Disbursements:</b>  |   |   |
| Library Services   | 264,253                                     | 255,412                                     |
| Capital Outlay   | 16,352                                      | 1,570                                       |
| Total Disbursements  | 280,605                                     | 256,982                                     |
| Increase (Decrease) in Net Assets                              | (6,661)                                     | 12,985                                      |
| Net Assets, January 1  | 91,665                                      | 78,680                                      |
| Net Assets, December 31  | <b>\$85,004</b>                             | <b>\$91,665</b>                             |

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

Program receipts represent only 2.9% of total receipts and are totally comprised of library fines and fees.

General receipts represent 97.1% of the Library's total receipts, and the majority of this amount is LLGSF receipts.

Unrestricted contributions represent donations made by patrons in memory of family members.

Miscellaneous amount represents reimbursement from insurance on computer hacker problem.

Disbursements for Library Services represent mainly library operations and services, such as payroll, health and retirement benefits, utilities, maintenance, books, audio books, and magazines.

**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 program disbursements for governmental activities are for library services, which account for 94.2% of all governmental disbursements. The "net cost" amount represents the cost of the service which ends up being paid from money provided by the local government. 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)**

| <b>Governmental Activities</b> |  |  |
|--------------------------------|--|--|
|                                | <b>Total Cost<br/>Of Services<br/>2007</b> | <b>Net Cost<br/>of Services<br/>2007</b> |
| Library Services               | \$264,253                                  | \$256,229                                |
| Capital Outlay                 | 16,352                                     | 16,352                                   |
| Total Expenses                 | \$280,605                                  | \$272,581                                |

The dependence upon local library funds is apparent as over 97 percent of governmental activities are supported through these general receipts for 2007.

**The Library's Funds**

Total governmental funds had receipts of \$273,944 and disbursements of \$280,605. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$7,654 as the result of increased expenditures for computer equipment.

General Fund receipts (\$272,951) were less than disbursements (\$280,605) resulting in a General Fund balance decrease of \$7,654. Expenditures for 2008 will need to be monitored to prevent an additional decrease in the General Fund balance.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**General Fund Budgeting Highlights**

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

During 2007, final budgeted receipts were below original budgeted receipts. The difference between final budgeted receipts \$290,435 and actual receipts \$272,951 was \$17,484.

Final disbursements were budgeted at \$340,850 while actual disbursements were \$282,533.

**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 LLGSF funding which has been under a freeze since 2001. We will continue to monitor our spending, and make the necessary cuts in our programs and services when needed.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens and taxpayers 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 Jane Bruggeman, Clerk-Treasurer, Coldwater Public Library, 305 West Main Street, Coldwater, Ohio 45828.

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**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007**

|  | <u><b>Governmental<br/>Activities</b></u> |
|--|---|
| <b>Assets</b>                              |   |
| Equity in Pooled Cash and Cash Equivalents | \$14,251                                  |
| Investments                                | 70,753                                    |
| Total Assets                               | <u><u>\$85,004</u></u>                    |
| <br>                                       |   |
| <b>Net Assets</b>                          |   |
| Restricted for:                            |   |
| Capital Projects                           | \$20,317                                  |
| Desch Permanent Fund                       | 10,000                                    |
| Schoch Permanent Fund                      | 10,000                                    |
| Unrestricted                               | 44,687                                    |
| Total Net Assets                           | <u><u>\$85,004</u></u>                    |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|  | <u>Cash</u><br><u>Disbursements</u> | <u>Program</u><br><u>Cash Receipts</u><br><u>Charges</u><br><u>for Services</u><br><u>and Sales</u> | <u>Net (Disbursements)</u><br><u>Receipts and</u><br><u>Changes in Net Assets</u><br><br><u>Governmental</u><br><u>Activities</u> |
|--|-------------------------------------|---|---|
| <b>Governmental Activities</b>                                 |                                     |   |   |
| Library Services   | \$264,253                           | \$8,024   | (\$256,229)   |
| Capital Outlay   | 16,352                              |   | (16,352)  |
| <b>Total Governmental Activities</b>                           | <u>\$280,605</u>                    | <u>\$8,024</u>  | <u>(272,581)</u>  |
| <b>General Receipts</b>  |                                     |   |   |
| Unrestricted Gifts and Contributions                           |                                     |   | 2,750   |
| Grants and Entitlements not<br>Restricted to Specific Programs |                                     |   | 256,790   |
| Sale of Fixed Assets   |                                     |   | 1,153   |
| Earnings on Investments  |                                     |   | 4,259   |
| Miscellaneous  |                                     |   | 968   |
| <b>Total General Receipts</b>                                  |                                     |   | <u>265,920</u>  |
| Change in Net Assets   |                                     |   | (6,661)   |
| Net Assets Beginning of Year                                   |                                     |   | <u>91,665</u>   |
| Net Assets End of Year   |                                     |   | <u><u>\$85,004</u></u>  |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Desch<br/>Permanent<br/>Fund</u> | <u>Schoch<br/>Permanent<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|
| <b>Assets</b>                                 |                         |                                     |                                     |                                      |   |
| Equity in Pooled Cash and<br>Cash Equivalents | \$14,151                | \$100                               |                                     |                                      | \$14,251                                |
| Investments                                   | 30,536                  | 20,217                              | \$10,000                            | \$10,000                             | 70,753                                  |
| <b>Total Assets</b>                           | <u>44,687</u>           | <u>20,317</u>                       | <u>10,000</u>                       | <u>10,000</u>                        | <u>85,004</u>                           |
| <b>Fund Balances</b>                          |                         |                                     |                                     |                                      |   |
| <b>Reserved:</b>                              |                         |                                     |                                     |                                      |   |
| Reserved for Encumbrances                     | 1,928                   |                                     |                                     |                                      | 1,928                                   |
| <b>Unreserved:</b>                            |                         |                                     |                                     |                                      |   |
| <b>Undesignated (Deficit), Reported in:</b>   |                         |                                     |                                     |                                      |   |
| General Fund                                  | 42,759                  |                                     |                                     |                                      | 42,759                                  |
| Capital Projects Funds                        |                         | 20,317                              |                                     |                                      | 20,317                                  |
| Permanent Fund                                |                         |                                     | 10,000                              | 10,000                               | 20,000                                  |
| <b>Total Fund Balances</b>                    | <u>\$44,687</u>         | <u>\$20,317</u>                     | <u>\$10,000</u>                     | <u>\$10,000</u>                      | <u>\$85,004</u>                         |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|  | <u>General</u>  | <u>Capital<br/>Projects</u> | <u>Desch<br/>Permanent<br/>Fund</u> | <u>Schoch<br/>Permanent<br/>Fund</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-----------------|-----------------------------|-------------------------------------|--------------------------------------|---|
| <b>Cash Receipts:</b>  |                 |                             |                                     |                                      |   |
| Library and Local Government Support   | \$256,790       |                             |                                     |                                      | \$256,790                               |
| Patron Fines and Fees  | 8,024           |                             |                                     |                                      | 8,024                                   |
| Contributions, Gifts and Donations   | 2,750           |                             |                                     |                                      | 2,750                                   |
| Earnings on Investments  | 3,266           | \$993                       |                                     |                                      | 4,259                                   |
| Miscellaneous  | 968             |                             |                                     |                                      | 968                                     |
| Total Cash Receipts  | <u>271,798</u>  | <u>993</u>                  |                                     |                                      | <u>272,791</u>                          |
| <b>Cash Disbursements:</b>   |                 |                             |                                     |                                      |   |
| <b>Current:</b>  |                 |                             |                                     |                                      |   |
| Salaries   | 134,832         |                             |                                     |                                      | 134,832                                 |
| Employee Fringe Benefits   | 38,898          |                             |                                     |                                      | 38,898                                  |
| Purchased and Contractual Services   | 47,272          |                             |                                     |                                      | 47,272                                  |
| Library Materials and Information  | 35,359          |                             |                                     |                                      | 35,359                                  |
| Supplies   | 5,749           |                             |                                     |                                      | 5,749                                   |
| Other  | 2,143           |                             |                                     |                                      | 2,143                                   |
| Capital Outlay   | 16,352          |                             |                                     |                                      | 16,352                                  |
| Total Cash Disbursements   | <u>280,605</u>  |                             |                                     |                                      | <u>280,605</u>                          |
| Total Receipts Over/(Under) Disbursements  | <u>(8,807)</u>  | <u>993</u>                  |                                     |                                      | <u>(7,814)</u>                          |
| <b>Other Financing Sources / (Uses)</b>  |                 |                             |                                     |                                      |   |
| Sale of Fixed Assets   | 1,153           |                             |                                     |                                      | 1,153                                   |
| Total Other Financing Sources / (Uses)   | <u>1,153</u>    |                             |                                     |                                      | <u>1,153</u>                            |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (7,654)         | 993                         |                                     |                                      | (6,661)                                 |
| Fund Cash Balances, January 1  | <u>52,341</u>   | <u>19,324</u>               | <u>\$10,000</u>                     | <u>\$10,000</u>                      | <u>91,665</u>                           |
| Fund Cash Balances, December 31  | <u>\$44,687</u> | <u>\$20,317</u>             | <u>\$10,000</u>                     | <u>\$10,000</u>                      | <u>\$85,004</u>                         |

*The notes to the financial statements are an integral part of this statement.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|   | <u>Budgeted Amounts</u> |                 |                 | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-----------------|-----------------|---|
|   | <u>Original</u>         | <u>Final</u>    | <u>Actual</u>   |   |
| <b>Receipts</b>                               |                         |                 |                 |   |
| Library and Local Government Support          | \$277,835               | \$277,835       | \$256,790       | (\$21,045)  |
| Patron, Fines and Fees                        | 9,000                   | 9,000           | 8,024           | (976)   |
| Contributions, Gifts and Donations            | 100                     | 100             | 2,750           | 2,650   |
| Earnings on Investments                       | 2,400                   | 2,400           | 3,266           | 866   |
| Miscellaneous                                 | 100                     | 100             | 968             | 868   |
| Total receipts                                | <u>289,435</u>          | <u>289,435</u>  | <u>271,798</u>  | <u>(17,637)</u>   |
| <b>Disbursements</b>                          |                         |                 |                 |   |
| <b>Current:</b>                               |                         |                 |                 |   |
| Library Services                              | 315,750                 | 315,750         | 266,181         | 49,569  |
| Capital Outlay                                | 15,000                  | 17,000          | 16,352          | 648   |
| Total Disbursements                           | <u>330,750</u>          | <u>332,750</u>  | <u>282,533</u>  | <u>50,217</u>   |
| Excess of Receipts Over (Under) Disbursements | <u>(41,315)</u>         | <u>(43,315)</u> | <u>(10,735)</u> | <u>32,581</u>   |
| <b>Other Financing Sources (Uses)</b>         |                         |                 |                 |   |
| Sale of Fixed Assets                          | 1,000                   | 1,000           | 1,153           | 153   |
| Other Financing Uses                          | (10,100)                | (8,100)         |                 | 8,100   |
| Total Other Financing Sources (Uses)          | <u>(9,100)</u>          | <u>(7,100)</u>  | <u>1,153</u>    | <u>8,253</u>  |
| Net Change in Fund Balance                    | (50,415)                | (50,415)        | (9,582)         | 40,833  |
| Fund Balance Beginning of Year                | 45,570                  | 45,570          | 45,570          |   |
| Prior Year Encumbrances Appropriated          | <u>6,771</u>            | <u>6,771</u>    | <u>6,771</u>    |   |
| Fund Balance End of Year                      | <u>\$1,925</u>          | <u>\$1,925</u>  | <u>\$42,759</u> | <u>\$40,833</u>   |

*See accompanying notes to the basic financial statements.*

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**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

The Coldwater Public Library was organized as a municipal library in 1936 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mayor of Coldwater. Appointments are for four-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library receives the majority of its funding through the State of Ohio LLGSF (Library and Local Government Support Fund), and the remainder through miscellaneous fines, fees, and interest collected throughout the year. The Library's budget is approved by the Mercer County Budget Commission.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, the financial statements of the Coldwater 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.

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service 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 activity is self-financing on a cash basis or draws from the Library's general receipts.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

**Capital Projects Fund** - The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

**Schoch Permanent Fund** – Accounts for resources restricted by a legally binding trust agreement (endowment) specified to establish and maintain a travel library of books, audio books, DVD/videos, or any type of item related to the area of travel.

**Desch Permanent Fund** – Accounts for resources restricted by a legally binding trust agreement (endowment) specified to purchase books on American History, American Biography, American Historical Fiction, and purchase magazine subscriptions including but not limited to National Geographic and Arizona Highway.

**C. Basis of Accounting**

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

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

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**D. Budgetary Process**

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

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

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

**E. Cash and Cash Equivalents**

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

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

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

During 2007, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. These investments are recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2007 amounted to \$3,266, and Capital Projects Fund of \$993.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Library's policy is to first apply unrestricted 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.

**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 \$1,928 for the general fund.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within one year 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 \$150 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**A. Deposits**

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

**B. Investments**

At December 31, 2007, the Library had \$50,753 invested in STAR Ohio. STAR Ohio had an average maturity of 30.4 days and carried a rating of AAA by Standard and Poor's. The Library has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**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 contracted with several companies for various types of insurance coverage as follows:

| <u>Company</u>               | <u>Type of Coverage</u> | <u>Coverage</u> |
|------------------------------|-------------------------|-----------------|
| Westfield Insurance Co.      | Commercial Property     | \$1,070,000     |
|                              | General Liability       | 500,000         |
|                              | Inland Marine           | 38,000          |
| Great American Insurance Co. | Errors and Omissions    | 1,000,000       |
| Ohio Farmers Insurance Co.   | Clerk/Treasurer - Bond  | 10,000          |
| Ohio Farmers Insurance Co.   | Director - Bond         | 10,000          |

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

The Library is a reimbursing employer with the State Workers' Compensation System and file quarterly reports.

**6. DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members were required to contribute 9.5% of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 8.85% from January 1st to June 30, 2007 and 7.85% from July 1st to December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and/or combined plans for the years ended December 31, 2007, 2006, and 2005 were \$18,678, \$17,583, and \$18,878, respectively; the full amount has been contributed for 2007, 2006, and 2005. No employees are under the member-directed plan.

**7. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No.12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used from January 1<sup>st</sup> to June 30, 2007 and 6 percent of the covered payroll was the portion that was used from July 1<sup>st</sup> to December 31, 2007 to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment health care benefits were \$7,418. 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.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**7. POST-EMPLOYMENT BENEFITS (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

This discussion and analysis of the Coldwater 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 increased \$12,985 or 16.5 percent in 2006. The General Fund was the fund most affected by this increase.
- The Library's general receipts are primarily LLGSF (Library & Local Government Support Fund) receipts. These receipts represent 95.5% of the total cash received for library services and operations during the year. LLGSF receipts for 2006 decreased approximately 3% over 2005 receipts. (NOTE: In 2005, additional LLGSF receipts were received to help cover the cost of the Horizon operating system upgrade totaling \$25,769.)

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts are from patron library fines and fees. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity 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.

In the statement of net assets and the statement of activities, the library only has governmental activities.

**Governmental activities:** The Library's basic services are reported here. LLGSF receipts finance most of these activities.

**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 Library has only governmental funds

**Governmental Funds** - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 funds are the General Fund, Capital Projects Fund, Desch Fund, and Schoch Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**The Library as a Whole**

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

**(Table 1)  
Net Assets**

| <b>Assets</b>             | <b>Governmental<br/>Activities<br/>2006</b> | <b>Governmental<br/>Activities<br/>2005</b> |
|---------------------------|---|---|
| Cash and Cash Equivalents | \$23,404                                    | \$32,713                                    |
| Investments               | 68,261                                      | 45,967                                      |
| <b>Total Assets</b>       | <b>91,665</b>                               | <b>78,680</b>                               |
| <b>Net Assets</b>         |   |   |
| Restricted for:           |   |   |
| Capital Projects          | 19,324                                      | 18,410                                      |
| Desch Permanent Fund      | 10,000                                      | 10,000                                      |
| Schoch Permanent Fund     | 10,000                                      | 10,000                                      |
| Unrestricted              | 52,341                                      | 40,270                                      |
| <b>Total Net Assets</b>   | <b>\$91,665</b>                             | <b>\$78,680</b>                             |

As mentioned previously, net assets of governmental activities increased \$12,985 in 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The library was understaffed, reducing salaries, for the last five months of 2006. The Technology Coordinator quit in August. The Director stepped down to fill the Technology Coordinator position. The Board of Trustees advertised for a new Director. The Clerk/Treasurer applied and was appointed Director on 12/1/06. She is currently performing duties as Director and Clerk/Treasurer until a new Clerk/Treasurer can be hired in 2007.
- The Library continues to monitor disbursements. The LLGSF freeze should be lifted in July 2007, and hopefully the economy will improve to bring in additional tax dollars for funding.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a cash basis.

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

|  | <b>Governmental<br/>Activities<br/>2006</b> | <b>Governmental<br/>Activities<br/>2005</b> |
|--|---|---|
| <b>Receipts:</b>   |   |   |
| <b>Program Receipts:</b>                                       |   |   |
| Charges for Services and Sales                                 | \$8,658                                     | \$9,391                                     |
| Total Program Receipts   | 8,658                                       | 9,391                                       |
| <b>General Receipts:</b>                                       |   |   |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 256,790                                     | 265,187                                     |
| Sale of Fixed Assets   | 931   | 1,772                                       |
| Interest   | 3,574                                       | 2,139                                       |
| Miscellaneous  | 14  | 14  |
| Total General Receipts   | 261,309                                     | 269,112                                     |
| Total Receipts   | 269,967                                     | 278,503                                     |
| <b>Disbursements:</b>  |   |   |
| Library Services   | 255,412                                     | 272,338                                     |
| Capital Outlay   | 1,570                                       | 20,579                                      |
| Total Disbursements  | 256,982                                     | 292,917                                     |
| Increase (Decrease) in Net Assets                              | 12,985                                      | (14,414)                                    |
| Net Assets, January 1  | 78,680                                      | 93,094                                      |
| Net Assets, December 31  | \$91,665                                    | \$78,680                                    |

Program receipts represent only 3.2% of total receipts and are totally comprised of library fines and fees.

General receipts represent 96.8% of the Library's total receipts, and the majority of this amount is LLGSF receipts.

Disbursements for Library Services represent mainly library operations and services, such as payroll, health and retirement benefits, utilities, maintenance, books, audio books, and magazines.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**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 program disbursements for governmental activities are for library services, which account for 99.4% of all governmental disbursements. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the local government. 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**

|                    | <b>Total Cost<br/>Of Services<br/>2006</b> | <b>Net Cost<br/>of Services<br/>2006</b> |
|--------------------|--|--|
| Library Services   | \$255,412                                  | \$246,754                                |
| Capital Outlay     | 1,570                                      | 1,570                                    |
| <br>Total Expenses | <b>\$256,982</b>                           | <b>\$248,324</b>                         |

The dependence upon local library funds is apparent as over 96 percent of governmental activities are supported through these general receipts for 2006.

**The Library's Funds**

Total governmental funds had receipts of \$269,967 and disbursements of \$256,982. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$12,071 as the result of decreased costs for salaries and benefits.

General Fund receipts were more than disbursements by \$12,071 indicating that the General Fund is in a plus situation. Additional spending will be needed in salaries in 2007 to bring staffing to proper levels.

**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, final budgeted receipts were above original budgeted receipts. The difference between final budgeted receipts 268,849 and actual receipts 269,054 was \$205.

Final disbursements were budgeted at \$308,545 while actual disbursements were \$263,754. The result is an increase in the General Fund balance of \$12,071 for 2006.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**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 LLGSF funding which has been under a freeze since 2001. We will continue to monitor our spending, and make the necessary cuts in our programs and services when needed.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens and taxpayers 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 Carol Evers, Clerk-Treasurer, Coldwater Public Library, 305 West Main Street, Coldwater, Ohio 45828.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$23,404                           |
| Investments                                | 68,261                             |
| Total Assets                               | <u>\$91,665</u>                    |
| <b>Net Assets</b>                          |                                    |
| <b>Restricted for:</b>                     |                                    |
| Capital Projects                           | \$19,324                           |
| Desch Permanent Fund                       | 10,000                             |
| Schoch Permanent Fund                      | 10,000                             |
| Unrestricted                               | 52,341                             |
| Total Net Assets                           | <u>\$91,665</u>                    |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | <u>Program<br/>Cash Receipts</u> | <u>Net (Disbursements)<br/>Receipts and<br/>Changes in Net Assets</u> |                                    |
|--|----------------------------------|---|------------------------------------|
|  | <u>Cash<br/>Disbursements</u>    | <u>Charges<br/>for Services<br/>and Sales</u>                         | <u>Governmental<br/>Activities</u> |
| <b>Governmental Activities</b>                                 |                                  |   |                                    |
| Library Services   | \$255,412                        | \$8,658   | (\$246,754)                        |
| Capital Outlay   | 1,570                            |   | (1,570)                            |
| <b>Total Governmental Activities</b>                           | <u>\$256,982</u>                 | <u>\$8,658</u>  | <u>(248,324)</u>                   |
| <b>General Receipts</b>  |                                  |   |                                    |
| Grants and Entitlements not<br>Restricted to Specific Programs |                                  |   | 256,790                            |
| Sale of Fixed Assets   |                                  |   | 931                                |
| Earnings on Investments  |                                  |   | 3,574                              |
| Miscellaneous  |                                  |   | 14                                 |
| <b>Total General Receipts</b>                                  |                                  |   | <u>261,309</u>                     |
| Change in Net Assets   |                                  |   | 12,985                             |
| Net Assets Beginning of Year                                   |                                  |   | <u>78,680</u>                      |
| Net Assets End of Year   |                                  |   | <u>\$91,665</u>                    |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|   | <b>General<br/>Fund</b> | <b>Capital<br/>Project<br/>Fund</b> | <b>Desch<br/>Permanent<br/>Fund</b> | <b>Schoch<br/>Permanent<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|
| <b>Assets</b>                                 |                         |                                     |                                     |                                      |   |
| Equity in Pooled Cash and<br>Cash Equivalents | \$23,304                | \$100                               |                                     |                                      | \$23,404                                |
| Investments                                   | 29,037                  | 19,224                              | 10,000                              | 10,000                               | 68,261                                  |
| <b>Total Assets</b>                           | <b>52,341</b>           | <b>19,324</b>                       | <b>10,000</b>                       | <b>10,000</b>                        | <b>91,665</b>                           |
| <b>Fund Balances</b>                          |                         |                                     |                                     |                                      |   |
| <b>Reserved:</b>                              |                         |                                     |                                     |                                      |   |
| Reserved for Encumbrances                     | 6,771                   |                                     |                                     |                                      | 6,771                                   |
| <b>Unreserved:</b>                            |                         |                                     |                                     |                                      |   |
| <b>Undesignated (Deficit), Reported in:</b>   |                         |                                     |                                     |                                      |   |
| General Fund                                  | 45,570                  |                                     |                                     |                                      | 45,570                                  |
| Capital Projects Funds                        |                         | 19,324                              |                                     |                                      | 19,324                                  |
| Permanent Fund                                |                         |                                     | 10,000                              | 10,000                               | 20,000                                  |
| <b>Total Fund Balances</b>                    | <b>\$52,341</b>         | <b>\$19,324</b>                     | <b>\$10,000</b>                     | <b>\$10,000</b>                      | <b>\$91,665</b>                         |

*See accompanying notes to the basic financial statements.*

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Desch<br/>Permanent<br/>Fund</u> | <u>Schoch<br/>Permanent<br/>Fund</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|
| <b>Cash Receipts:</b>  |                         |                                     |                                     |                                      |   |
| Library and Local Government Support   | \$256,790               |                                     |                                     |                                      | \$256,790                               |
| Patron Fines and Fees  | 8,658                   |                                     |                                     |                                      | 8,658                                   |
| Earnings on Investments  | 2,660                   | \$914                               |                                     |                                      | 3,574                                   |
| Miscellaneous  | 14                      |                                     |                                     |                                      | 14                                      |
| Total Cash Receipts  | <u>268,122</u>          | <u>914</u>                          |                                     |                                      | <u>269,036</u>                          |
| <b>Cash Disbursements:</b>   |                         |                                     |                                     |                                      |   |
| <b>Current:</b>  |                         |                                     |                                     |                                      |   |
| Salaries   | 129,155                 |                                     |                                     |                                      | 129,155                                 |
| Employee Fringe Benefits   | 36,113                  |                                     |                                     |                                      | 36,113                                  |
| Purchased and Contractual Services   | 51,106                  |                                     |                                     |                                      | 51,106                                  |
| Library Materials and Information  | 31,494                  |                                     |                                     |                                      | 31,494                                  |
| Supplies   | 5,722                   |                                     |                                     |                                      | 5,722                                   |
| Other  | 1,822                   |                                     |                                     |                                      | 1,822                                   |
| Capital Outlay   | 1,570                   |                                     |                                     |                                      | 1,570                                   |
| Total Cash Disbursements   | <u>256,982</u>          |                                     |                                     |                                      | <u>256,982</u>                          |
| Total Receipts Over/(Under) Disbursements  | <u>11,140</u>           | <u>914</u>                          |                                     |                                      | <u>12,054</u>                           |
| <b>Other Financing Sources / (Uses):</b>   |                         |                                     |                                     |                                      |   |
| Sale of Fixed Assets   | 931                     |                                     |                                     |                                      | 931                                     |
| Total Other Financing Sources / (Uses)   | <u>931</u>              |                                     |                                     |                                      | <u>931</u>                              |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | 12,071                  | 914                                 |                                     |                                      | 12,985                                  |
| Fund Cash Balances, January 1  | <u>40,270</u>           | <u>18,410</u>                       | <u>\$10,000</u>                     | <u>\$10,000</u>                      | <u>78,680</u>                           |
| Fund Cash Balances, December 31  | <u>\$52,341</u>         | <u>\$19,324</u>                     | <u>\$10,000</u>                     | <u>\$10,000</u>                      | <u>\$91,665</u>                         |

*The notes to the financial statements are an integral part of this statement.*

**COLDWATER PUBLIC LIBRARY  
MERCER 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> |                 |                 | Variance with<br>Final Budget  |
|---|-------------------------|-----------------|-----------------|--------------------------------|
|   | <u>Original</u>         | <u>Final</u>    | <u>Actual</u>   | <u>Positive<br/>(Negative)</u> |
| <b>Receipts</b>                               |                         |                 |                 |                                |
| Library and Local Government Support          | \$256,849               | \$256,849       | \$256,790       | (\$59)                         |
| Patron, Fines and Fees                        | 9,000                   | 9,000           | 8,658           | (342)                          |
| Contributions, Gifts and Donations            | 100                     | 100             |                 | (100)                          |
| Earnings on Investments                       | 1,800                   | 1,800           | 2,660           | 860                            |
| Miscellaneous                                 | 100                     | 100             | 14              | (86)                           |
| Total receipts                                | <u>267,849</u>          | <u>267,849</u>  | <u>268,122</u>  | <u>273</u>                     |
| <b>Disbursements</b>                          |                         |                 |                 |                                |
| <b>Current:</b>                               |                         |                 |                 |                                |
| Library Services                              | 294,446                 | 298,946         | 262,183         | 36,763                         |
| Capital Outlay                                | 5,000                   | 5,000           | 1,570           | 3,430                          |
| Total Disbursements                           | <u>299,446</u>          | <u>303,946</u>  | <u>263,753</u>  | <u>40,193</u>                  |
| Excess of Receipts Over (Under) Disbursements | <u>(31,597)</u>         | <u>(36,097)</u> | <u>4,369</u>    | <u>40,466</u>                  |
| <b>Other Financing Sources (Uses)</b>         |                         |                 |                 |                                |
| Sale of Fixed Assets                          | 1,000                   | 1,000           | 931             | (69)                           |
| Other Financing Uses                          | (9,099)                 | (4,599)         |                 | 4,599                          |
| Total Other Financing Sources (Uses)          | <u>(8,099)</u>          | <u>(3,599)</u>  | <u>931</u>      | <u>4,530</u>                   |
| Net Change in Fund Balance                    | (39,696)                | (39,696)        | 5,300           | 44,996                         |
| Fund Balance Beginning of Year                | 34,621                  | 34,621          | 34,621          |                                |
| Prior Year Encumbrances Appropriated          | <u>5,649</u>            | <u>5,649</u>    | <u>5,649</u>    |                                |
| Fund Balance End of Year                      | <u>\$574</u>            | <u>\$574</u>    | <u>\$45,570</u> | <u>\$44,996</u>                |

*See accompanying notes to the basic financial statements.*

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**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

The Coldwater Public Library was organized as a municipal library in 1936 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mayor of Coldwater. Appointments are for four-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library receives the majority of its funding through the State of Ohio LLGSF (Library and Local Government Support Fund), and the remainder through miscellaneous fines, fees, and interest collected throughout the year. The Library's budget is approved by the Mercer County Budget Commission.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, the financial statements of the Coldwater 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.

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service 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 activity is self-financing on a cash basis or draws from the Library's general receipts.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

**Capital Projects Fund** - The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

**Schoch Permanent Fund** – Accounts for resources restricted by a legally binding trust agreement (endowment) specified to establish and maintain a travel library of books, audio books, DVD/videos, or any type of item related to the area of travel.

**Desch Permanent Fund** – Accounts for resources restricted by a legally binding trust agreement (endowment) specified to purchase books on American History, American Biography, American Historical Fiction, and purchase magazine subscriptions including but not limited to National Geographic and Arizona Highway.

**C. Basis of Accounting**

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

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

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**D. Budgetary Process**

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

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

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

**E. Cash and Cash Equivalents**

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

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

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

During 2006, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. These investments are recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2006 amounted to \$2,660, and Capital Projects Fund of \$914.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Library's policy is to first apply unrestricted 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.

**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 \$6,771 for the general fund.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within one year 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 \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

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

**A. Deposits**

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

**B. Investments**

At December 31, 2006, the Library had \$48,261 invested in STAR Ohio. STAR Ohio had an average maturity of 30.4 days and carried a rating of AAA by Standard and Poor's. The Library has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**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 contracted with several companies for various types of insurance coverage as follows:

| <u>Company</u>               | <u>Type of Coverage</u> | <u>Coverage</u> |
|------------------------------|-------------------------|-----------------|
| Westfield Insurance Co.      | Commercial Property     | \$1,070,000     |
|                              | General Liability       | 500,000         |
|                              | Inland Marine           | 38,000          |
| Great American Insurance Co. | Errors and Omissions    | 1,000,000       |
| Ohio Farmers Insurance Co.   | Clerk/Treasurer - Bond  | 10,000          |
| Ohio Farmers Insurance Co.   | Director - Bond         | 10,000          |

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

The Library is a reimbursing employer with the State Workers' Compensation System and file quarterly reports.

**6. DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**COLDWATER PUBLIC LIBRARY  
MERCER COUNTY**

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

**6. DEFINED BENEFIT PENSION PLAN (Continued)**

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members were required to contribute 9% of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 9.2%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and/or combined plans for the years ended December 31, 2006, 2005, and 2004 were \$17,583, \$18,878, and \$18,041, respectively; the full amount has been contributed for 2006, 2005, and 2004. No employees are under the member-directed plan.

**7. POST-EMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No.12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after ten years.

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

The number of active contributing participants in the traditional and combined plans was 374,949. Actual employer contributions for 2006 which were used to fund post employment benefits were \$5,776. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care cost.

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# 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

Coldwater Public Library  
Mercer County  
305 West Main Street  
Coldwater, Ohio 45828

To the Library Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Coldwater Public Library, Mercer County, (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 9, 2008, wherein we noted the library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on the entity because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

#### **Compliance and Other Matters**

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

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

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

**Mary Taylor, CPA**  
Auditor of State

June 9, 2008



**Mary Taylor, CPA**  
Auditor of State

**COLDWATER PUBLIC LIBRARY**

**MERCER 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  
JULY 15, 2008**