



Mary Taylor, CPA
Auditor of State

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis For the Year Ended December 31, 2009.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2009	9
Statement of Activities – Cash Basis For the Year Ended December 31, 2009.....	10
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds - December 31, 2009	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2009.....	12
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis - General Fund For the Year Ended December 31, 2009.....	13
Notes to the Financial Statements December 31, 2009	15

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Management's Discussion and Analysis For the Year Ended December 31, 2008.....	23
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2008	29
Statement of Activities – Cash Basis For the Year Ended December 31, 2008.....	30
Governmental Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds - December 31, 2008	31
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2008.....	32
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis - General Fund For the Year Ended December 31, 2008.....	33
Notes to the Financial Statements December 31, 2008	35
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	43



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Piqua Public Library
Miami County
116 W. High Street
Piqua, Ohio 45356

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piqua Public Library, Miami County, (the Library), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government 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 opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Piqua Public Library, Miami County, as of December 31, 2009 and 2008, 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 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2010, 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

April 7, 2010

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

This discussion and analysis of the Piqua Public Library financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Libraries cash basis of 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 2009 are as follows:

- Net assets of governmental activities decreased \$232,035, or thirty-seven percent, from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of the increased costs in 2009; however, cost increases affected most funds.
- The Library's general receipts are primarily an entitlement from the State of Ohio's Library and Local Government Services Fund (LLGSF). These receipts represent sixty-four percent of the total cash received for governmental activities during the year. LLGSF receipts for 2009 decreased \$140,106, or eighteen per cent, compared to 2008 primarily as a result of state budget cuts implemented by the Ohio Legislature in 2009.

Using the Basic Financial Statements

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

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Reporting the Government as a Whole

Piqua Public Library, Miami County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. It provides various educational and literary resources. The Library is directed by a seven-member Board of Trustees appointed by the Piqua City School District Board of Education, (the Board of Education). The Library 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 the financial accountability being that of the Financial Officer.

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

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, within the limitations of cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

All activities in the statement of net assets and the statement of activities are governmental activities. Most of the Library's basic services are reported here. State revenues, through the Library & Local Government Support Fund, patron fines and fees, contributions and interest finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

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. All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2009
Assets:		
Cash and Cash Equivalents	\$626,975	\$394,940
Total Assets	626,975	394,940
Net Assets:		
Restricted for:		
Capital Projects	226,528	83,097
Other Purposes	10,154	
Unrestricted	390,293	311,843
Total Net Assets	\$626,975	\$394,940

Table 2 reflects the changes in net assets in 2009 compared to 2008.

(Table 2)
Net Assets

	Governmental Activities	
	2008	2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 17,411	\$ 28,145
Operating Grants and Contributions	300,000	300,000
Total Program Receipts	317,411	328,145

(Continued)

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

**(Table 2)
Net Assets
(Continued)**

	Governmental Activities	
	2008	2009
General Receipts:		
Unrestricted Gifts and Contributions	140,575	27,459
Grants and Entitlements Not Restricted to Specific Programs	787,027	646,920
Interest	13,972	928
Sale of Fixed Assets		30,000
Miscellaneous	4,187	11,269
Total General Receipts	<u>945,761</u>	<u>716,576</u>
Total Receipts	<u>1,263,172</u>	<u>1,044,721</u>
Disbursements:		
Library Services	988,062	1,099,990
Business Administration		1,925
Capital Outlay	387,109	174,841
Total Disbursements	<u>1,375,171</u>	<u>1,276,756</u>
Increase (Decrease) in Net Assets	<u>(111,999)</u>	<u>(232,035)</u>
Net Assets, January 1	<u>738,974</u>	<u>626,975</u>
Net Assets, December 31	<u>\$ 626,975</u>	<u>\$ 394,940</u>

Program receipts represent thirty one percent of total receipts and are primarily comprised of operating grants and contributions.

General receipts represent sixty-nine percent of the Library's total receipts, and of this amount, ninety percent are state entitlements. Unrestricted gifts and contributions make up four percent and sale of fixed assets makes up an additional four percent of the Library's total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and support services for the other Library activities. These include the costs of payroll, fringes, purchased services, books and materials.

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 cost of providing these services. The major program disbursements for governmental activities are library services and capital outlay that account for 99.9 percent of all government disbursements. Library Services also represents a significant cost, about 86 percent. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues. The 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.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
	2009	2009
Library Services	\$1,099,990	\$771,845
Business Administration	1,925	1,925
Capital Outlay	174,841	174,841
Total Expenses	\$1,276,756	\$948,611

The dependence upon the State entitlement is apparent as almost sixty eight percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$1,044,721 and disbursements of \$1,276,756. The fund balance of the General Fund decreased (\$78,450) primarily as a result of a decrease in state entitlement funds. The stability in contributions, gifts and donations is the result of the second installment of a \$1.5M contribution that is to be distributed to the Library in five annual installments of \$300,000 each. With the continuation of the library funding "freeze" by the State of Ohio, it was a recommendation of administration that a reduction in expenditures and a decrease in the year-end carryover balance were necessary. Some reductions have already been implemented for 2010 in the areas of purchased services and library materials. Three full-time staff positions have also been eliminated in order to further reduce expenditures. These reductions will not eliminate the need for additional cutbacks if the state funding cuts continue.

The Building Fund was also significantly affected by the Library's relocation project to the Fort Piqua Plaza Hotel. Expenditures from the Building Fund involved refurbishing specific areas of the building for library usage and furnishing the expanded space. As a result, the fund balance of the Building Fund decreased (\$143,431).

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.

Final budgeted receipts fell short of original budgeted receipts due primarily to the lack of growth in state funding. The difference between final budgeted receipts and actual receipts was (\$96,570) with most of the decrease due to the reduction of state entitlement funds. The lack of growth in investment income also contributed significantly to the decrease. Final disbursements were budgeted at \$1,272,877 while actual disbursements and encumbrances totaled \$1,123,278. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Current Issues

The challenge for all libraries is to provide quality services to patrons while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on the state entitlement funds that appear to continue to be “frozen” at the current level for the foreseeable future. The Library completed its relocation to leased space in the historic Fort Piqua Hotel in late 2008 and has sold the Greene Street facility. At the time of the relocation, The Library officially changed the name of the Library from Fresh Public Library to Piqua Public Library. The Library utilized the majority of its Building Fund for furniture, fixtures and equipment needed for the relocation. A sizable annual donation for the next five years will assist in financing the annual lease payments, expanded hours of operation and increased operating expenditures for that five- year period.

Contacting the Library’s Financial Management

This financial report is designed to provide our citizens, taxpayers, patrons and creditors with a general overview of the Library’s finances and to reflect the Library’s accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to William H. Stump, Financial Officer, Piqua Public Library, 116 W. High Street, Piqua, Ohio 45356.

PIQUA PUBLIC LIBRARY
MIAMI COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$394,940
Total Assets	<u>394,940</u>
Net Assets:	
Restricted for:	
Capital Projects	83,097
Unrestricted	311,843
Total Net Assets	<u>\$394,940</u>

See accompanying notes to the basic financial statements.

PIQUA PUBLIC LIBRARY
MIAMI COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Library Services	\$1,099,990	\$28,145	\$300,000	(\$771,845)
Business Administration	1,925			(1,925)
Capital Outlay	174,841			(174,841)
Total Governmental Activities	<u>\$1,276,756</u>	<u>\$28,145</u>	<u>\$300,000</u>	<u>(948,611)</u>
General Receipts:				
Grants and Entitlements not Restricted to Specific Programs				646,920
Unrestricted Gifts and Contributions				27,459
Sale of Fixed Assetd				30,000
Earnings on Investments				928
Miscellaneous				11,269
Total General Receipts				<u>716,576</u>
Change in Net Assets				(232,035)
Net Assets Beginning of Year				<u>626,975</u>
Net Assets End of Year				<u>\$394,940</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$311,843	\$83,097		\$394,940
Total Assets	<u>311,843</u>	<u>83,097</u>		<u>394,940</u>
Fund Balances:				
Reserved:				
Reserved for Encumbrances	20,175			20,175
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	291,668			291,668
Capital Projects Funds		83,097		83,097
Total Fund Balances	<u>\$311,843</u>	<u>\$83,097</u>	<u>\$0</u>	<u>\$394,940</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts:				
Library and Local Government Support	\$646,920			\$646,920
Patron, Fines and Fees	28,145			28,145
Contributions, Gifts and Donations	327,459			327,459
Earnings on Investments	673	\$223	\$32	928
Miscellaneous	11,269			11,269
Total Receipts	<u>1,014,466</u>	<u>223</u>	<u>32</u>	<u>1,014,721</u>
Disbursements:				
Current:				
Library Services	1,098,936	1,054		1,099,990
Business Administration		1,925		1,925
Capital Outlay	4,166	170,675		174,841
Total Disbursements	<u>1,103,102</u>	<u>173,654</u>		<u>1,276,756</u>
Excess of Receipts Over (Under) Disbursements	(88,636)	(173,431)	32	(262,035)
Other Financing Sources:				
Sales of Fied Assets		30,000		30,000
Transfers In	10,186			10,186
Transfer Out			(10,186)	(10,186)
Total Other Financing Sources	<u>10,186</u>	<u>30,000</u>	<u>(10,186)</u>	<u>30,000</u>
Net Change in Fund Balances	(78,450)	(143,431)	(10,154)	(232,035)
Fund Balances Beginning of Year	<u>390,293</u>	<u>226,528</u>	<u>10,154</u>	<u>626,975</u>
Fund Balances End of Year	<u>\$311,843</u>	<u>\$83,097</u>	<u>\$0</u>	<u>\$394,940</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Library and Local Government Support	\$789,673	\$789,673	\$646,920	(\$142,753)
Patron, Fines and Fees	14,100	14,100	28,145	14,045
Contributions, Gifts and Donations	304,650	304,650	327,459	22,809
Earnings on Investments	11,000	11,000	673	(10,327)
Miscellaneous	1,800	1,800	11,269	9,469
Total receipts	<u>1,121,223</u>	<u>1,121,223</u>	<u>1,014,466</u>	<u>(106,757)</u>
Disbursements:				
Current:				
Library Services	1,246,377	1,259,677	1,119,111	140,566
Capital Outlay	25,500	12,200	4,167	8,033
Total Disbursements	<u>1,271,877</u>	<u>1,271,877</u>	<u>1,123,278</u>	<u>148,599</u>
Excess of Receipts Over (Under) Disbursements	<u>(150,654)</u>	<u>(150,654)</u>	<u>(108,812)</u>	<u>41,842</u>
Other Financing Sources (Uses):				
Transfers In			10,187	10,187
Other Financing Uses	(1,000)	(1,000)		1,000
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>10,187</u>	<u>11,187</u>
Net Change in Fund Balance	(151,654)	(151,654)	(98,625)	53,029
Fund Balance Beginning of Year	357,255	357,255	357,255	
Prior Year Encumbrances Appropriated	<u>33,038</u>	<u>33,038</u>	<u>33,038</u>	
Fund Balance End of Year	<u>\$238,639</u>	<u>\$238,639</u>	<u>\$291,668</u>	<u>\$53,029</u>

See accompanying notes to the basic financial statements.

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**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Piqua Public Library, Miami County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. It provides various educational and literary resources. The Library is directed by a seven-member Board of Trustees appointed by the Piqua City School District Board of Education, (the Board of Education). The Library 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 the financial accountability being that of the Treasurer.

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

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library does not have any business type activities. Government activities generally are financed through intergovernmental receipts and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for the goods or services.

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

2. Fund Financial Statements

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

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. Government Funds

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

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

Building Fund - The building Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

The other governmental funds of the Library account for resources whose use is restricted to particular purpose.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accrues expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, Museum Fund and Building Fund during 2009 amounted to \$673, \$32 and \$223 respectively.

F. Inventory and Prepaid Item

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

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 leaving upon 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.

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriations or which is legally segregated for a specific future use. Unreserved fund balances 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 modified cash basis is outstanding year end encumbrances 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 \$20,175 for the general fund.

4. DEPOSITS AND INVESTMENTS

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

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

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

At year end, the Library had \$125 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$125,480 of the Library's bank balance of \$375,480 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

5. 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 2009, the Library contracted with Cincinnati Insurance Co. for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Co.	Commercial Property	\$2,495,916
	General Liability	1,000,000
	Vehicle	1,000,000

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

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

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 per cent 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 pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2009 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$66,747, \$66,984 and \$62,314 respectively; the full amount has been contributed for 2009, 2008 and 2007.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

7. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 2009 local government employer contribution rate was 14.0 percent of covered payroll.

Benefits are advanced-funded using the individual entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2007, the latest information available, 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 pay increases. Health care premiums were assumed to increase 50 and 4.00 percent annually for the next seven years and 4.00 percent annually after seven 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2007 is \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 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. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

8. LEASE

The Library leases a building under non-cancelable leases. The Library disbursed \$146,250 to pay lease costs for the year ended December 31, 2009. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 135,000
2011	135,000
2012	135,000
2013	135,000
2014	135,000
2015-2019	675,000
2020-2024	675,000
Total	<u>\$2,520,000</u>

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

9. LAND CONTRACT

The Library entered into a Land Installment Contract with a private individual for the Greene Street library facility during 2009. The contract stipulates a purchase price of \$156,706 for the former library facility, with \$30,000 paid during 2009 as a down-payment. The principal balance of \$126,706 and interest thereon shall be payable in monthly installments of \$874 per month, with the first installment due in July 2009. The unpaid principal balance shall draw interest at 8%. The entire unpaid balance is due July 31, 2012.

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)**

This discussion and analysis of the Piqua (Flesh) Public Library financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Libraries cash basis of 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 2008 are as follows:

- Net assets of governmental activities decreased \$111,999, or fifteen percent, from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of the increased costs in 2008; however, cost increases affected most funds.
- The Library's general receipts are primarily an entitlement from the State of Ohio's Library and Local Government Services Fund (LLGSF). These receipts represent sixty-two percent of the total cash received for governmental activities during the year. LLGSF receipts for 2008 changed very little compared to 2007 as a result of the continuation of a funding "freeze" implemented by the Ohio Legislature in 2004.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the 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.

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

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

Reporting the Government as a Whole

Piqua (Flesh) Public Library, Miami County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. It provides various educational and literary resources. The Library is directed by a seven-member Board of Trustees appointed by the Piqua City School District Board of Education, (the Board of Education). The Library 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 the financial accountability being that of the Clerk-Treasurer.

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

The statement of net assets and the statement of activities reflect how the Library did financially during 2008, within the limitations of cash basis of accounting.

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

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

All activities in the statement of net assets and the statement of activities are governmental activities. Most of the Library's basic services are reported here. State revenues, through the Library & Local Government Support Fund, patron fines and fees, contributions and interest finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

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. All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008 compared to 2007 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2007	2008
Assets:		
Cash and Cash Equivalents	\$738,974	\$626,975
Total Assets	738,974	626,975
Net Assets:		
Restricted for:		
Capital Projects	470,759	226,528
Other Purposes	6,491	10,154
Unrestricted	261,724	390,293
Total Net Assets	\$738,974	\$626,975

Table 2 reflects the changes in net assets in 2008 compared to 2007.

**(Table 2)
Net Assets**

	Governmental Activities	
	2007	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 16,245	\$ 17,411
Operating Grants and Contributions		300,000
Total Program Receipts	16,245	317,411

(Continued)

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

**(Table 2)
Net Assets
(Continued)**

	Governmental Activities	
	2007	2008
General Receipts:		
Unrestricted Gifts and Contributions	33,011	140,575
Grants and Entitlements Not Restricted to Specific Programs	799,936	787,027
Interest	36,680	13,972
Sale of Fixed Assets	2,262	
Miscellaneous	871,889	4,187
Total General Receipts	<u>888,134</u>	<u>945,761</u>
Total Receipts		<u>1,263,172</u>
Disbursements:		
Library Services	936,279	988,062
Capital Outlay	5,012	387,109
Total Disbursements	<u>941,291</u>	<u>1,375,171</u>
Increase (Decrease) in Net Assets	<u>(53,157)</u>	<u>(111,999)</u>
Net Assets, January 1	<u>792,131</u>	<u>738,974</u>
Net Assets, December 31	<u><u>\$738,974</u></u>	<u><u>\$ 626,975</u></u>

Program receipts represent twenty-five percent of total receipts and are primarily comprised of operating grants and contributions.

General receipts represent seventy-five percent of the Library's total receipts, and of this amount, eighty-three percent are state entitlements. Unrestricted gifts and contributions make up fifteen percent and interest on investments makes up an additional one percent of the Library's total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and support services for the other Library activities. These include the costs of payroll, fringes, purchased services, books and materials.

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 cost of providing these services. The major program disbursements for governmental activities are library services and capital outlay that account for 100 percent of all government disbursements. Library Services also represents a significant cost, about 72 percent. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by unrestricted revenues. The 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.

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

**(Table 3)
Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
	2008	2008
Library Services	\$ 988,062	\$ 670,651
Capital Outlay	387,109	387,109
Total Expenses	\$1,375,171	\$1,057,760

The dependence upon the State entitlement is apparent as almost seventy-four percent of governmental activities are supported through these general receipts. The remaining significant source of funding for the governmental activities is the unrestricted gifts and contributions that contribute thirteen percent of the support.

The Government's Funds

Total governmental funds had receipts of \$1,263,172 and disbursements of \$1,375,171. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$128,569 as a result of a substantial donation of \$300,000. The donation is the first installment of a \$1.5M contribution that is to be distributed to the Library in five annual installments of \$300,000 each. With the continuation of the library funding "freeze" by the State of Ohio, it was a recommendation of administration that a reduction in expenditures and a decrease in the year-end carryover balance were necessary. Some reductions have already been implemented for 2009 in the areas of purchased services and library materials. These reductions will not eliminate the need for additional cuts if the state funding freeze continues.

The Building Fund was also significantly affected by the Library's relocation project to the Fort Piqua Plaza Hotel. Expenditures from the Building Fund involved refurbishing specific areas of the building for library usage and furnishing the expanded space. As a result, the fund balance of the Building Fund decreased (\$244,231).

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.

Final budgeted receipts fell short of original budgeted receipts due primarily to the lack of growth in state funding. The difference between final budgeted receipts and actual receipts was (\$26,306) with most of the decrease due to the continued freeze of state entitlement funds. The lack of growth in investment income also contributed significantly to the decrease. Final disbursements were budgeted at \$1,142,577 while actual disbursements and encumbrances totaled \$1,022,879. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**PIQUA (FLESH) PUBLIC LIBRARY
MIAMI COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)
(Continued)**

Current Issues

The challenge for all libraries is to provide quality services to patrons while staying within the restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on the state entitlement funds that appear to continue to be “frozen” at the current level for the foreseeable future. The Library completed its relocation to leased space in the historic Fort Piqua Hotel in late 2008 and is marketing the Greene Street facility for sale. At the time of the relocation, The Library officially changed the name of the Library from Flesh Public Library to Piqua Public Library. The Library utilized the majority of its Building Fund for furniture, fixtures and equipment needed for the relocation. A sizable annual donation for the next five years will assist in financing the annual lease payments, expanded hours of operation and increased operating expenditures for that five- year period.

Contacting the Library’s Financial Management

This financial report is designed to provide our citizens, taxpayers, patrons and creditors with a general overview of the Library’s finances and to reflect the Library’s accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to William H. Stump, Clerk-Treasurer, Piqua Public Library, 116 W. High Street, Piqua, Ohio 45356.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$626,975</u>
Total Assets	<u><u>626,975</u></u>
Net Assets:	
Restricted for:	
Capital Projects	226,528
Other Purposes	10,154
Unrestricted	<u>390,293</u>
Total Net Assets	<u><u>\$626,975</u></u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Library Services	\$988,062	\$17,411	\$300,000	(\$670,651)
Capital Outlay	387,109			(387,109)
Total Governmental Activities	<u>\$1,375,171</u>	<u>\$17,411</u>	<u>\$300,000</u>	<u>(1,057,760)</u>
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				787,027
Unrestricted Gifts and Contributions				140,575
Earnings on Investments				13,972
Miscellaneous				4,187
Total General Receipts				<u>945,761</u>
Change in Net Assets				(111,999)
Net Assets Beginning of Year				<u>738,974</u>
Net Assets End of Year				<u>\$626,975</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$390,293	\$226,528	\$10,154	\$626,975
Total Assets	<u>390,293</u>	<u>226,528</u>	<u>10,154</u>	<u>626,975</u>
Fund Balances:				
Reserved:				
Reserved for Encumbrances	33,038	\$196,976		230,014
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	357,255			357,255
Special Revenue Funds			10,154	10,154
Capital Projects Funds		29,552		29,552
Total Fund Balances	<u>\$390,293</u>	<u>\$226,528</u>	<u>\$10,154</u>	<u>\$626,975</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts:				
Library and Local Government Support	\$787,027			\$787,027
Patron, Fines and Fees	17,411			17,411
Contributions, Gifts and Donations	305,662	\$129,882	\$5,031	440,575
Earnings on Investments	4,123	9,716	133	13,972
Miscellaneous	4,187			4,187
Total Receipts	<u>1,118,410</u>	<u>139,598</u>	<u>5,164</u>	<u>1,263,172</u>
Disbursements:				
Current:				
Library Services	931,123	55,438	1,501	988,062
Capital Outlay	58,718	328,391		387,109
Total Disbursements	<u>989,841</u>	<u>383,829</u>	<u>1,501</u>	<u>1,375,171</u>
Net Change in Fund Balances	128,569	(244,231)	3,663	(111,999)
Fund Balances Beginning of Year	<u>261,724</u>	<u>470,759</u>	<u>6,491</u>	<u>738,974</u>
Fund Balances End of Year	<u>\$390,293</u>	<u>\$226,528</u>	<u>\$10,154</u>	<u>\$626,975</u>

See accompanying notes to the basic financial statements.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Library and Local Government Support	\$806,166	\$806,166	\$787,027	(\$19,139)
Patron, Fines and Fees	17,150	17,150	17,411	261
Contributions, Gifts and Donations	304,500	304,500	305,662	1,162
Earnings on Investments	13,000	13,000	4,123	(8,877)
Miscellaneous	3,900	3,900	4,187	287
Total receipts	<u>1,144,716</u>	<u>1,144,716</u>	<u>1,118,410</u>	<u>(26,306)</u>
Disbursements:				
Current:				
Library Services	1,061,743	1,061,743	964,161	97,582
Capital Outlay	79,834	79,834	58,718	21,116
Total Disbursements	<u>1,141,577</u>	<u>1,141,577</u>	<u>1,022,879</u>	<u>118,698</u>
Excess of Receipts Over (Under) Disbursements	<u>3,139</u>	<u>3,139</u>	<u>95,531</u>	<u>92,392</u>
Other Financing Sources (Uses):				
Other Financing Uses	(1,000)	(1,000)		1,000
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(1,000)</u>		<u>1,000</u>
Net Change in Fund Balance	2,139	2,139	95,531	93,392
Fund Balance Beginning of Year	239,616	239,616	239,616	
Prior Year Encumbrances Appropriated	<u>22,108</u>	<u>22,108</u>	<u>22,108</u>	
Fund Balance End of Year	<u>\$263,863</u>	<u>\$263,863</u>	<u>\$357,255</u>	<u>\$93,392</u>

See accompanying notes to the basic financial statements.

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**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Piqua Public Library, Miami County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library was previously named the Flesh Public Library, which was changed effective October 19, 2008. It provides various educational and literary resources. The Library is directed by a seven-member Board of Trustees appointed by the Piqua City School District Board of Education, (the Board of Education). The Library 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 the financial accountability being that of the Treasurer.

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

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library does not have any business type activities. Government activities generally are financed through intergovernmental receipts and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for the goods or services.

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

2. Fund Financial Statements

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

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. Government Funds

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

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

Building Fund - The building Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

The other governmental funds of the Library account for resources whose use is restricted to particular purpose.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accrues expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, Museum Fund and Building Fund during 2008 amounted to \$4,123, \$133 and \$9,716 respectively.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory and Prepaid Item

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

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.

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriations or which is legally segregated for a specific future use. Unreserved fund balances 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 modified cash basis is outstanding year end encumbrances 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 \$33,038 for the general fund.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

At year end, the Library had \$125 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$386,766 of the Library's bank balance of \$636,766 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

5. 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 2008, the Library contracted with Cincinnati Insurance Co. for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Co.	Commercial Property	\$2,495,916
	General Liability	1,000,000
	Vehicle	1,000,000

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

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

6. DEFINED BENEFIT PENSION PLANS

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 per cent 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 pension plan. Under the Combined Plan, OPERS invests employer contributions 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.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2008 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$66,984, \$62,314 and \$59,852 respectively; the full amount has been contributed for 2008, 2007 and 2006.

7. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 2008 local government employer contribution rate was 14.0 percent of covered payroll.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2007, the latest information available 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 pay increases. Health care premiums were assumed to increase 50 and 4.00 percent annually for the next seven years and 4.00 percent annually after seven 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2007 is \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 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. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which will allow additional funds to be allocated to the health care plan.

**PIQUA PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

8. LEASE

The Library leases a building under non-cancelable leases. The Library disbursed \$22,500 to pay lease costs for the year ended December 31, 2008. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 135,000
2010	135,000
2011	135,000
2012	135,000
2013	135,000
2014-2018	675,000
2019-2023	675,000
2024-2028	641,250
Total	<u><u>\$2,666,250</u></u>



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*

Piqua Public Library
Miami County
116 W. High Street
Piqua, Ohio 45356

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Piqua Public Library, Miami County, (the Library) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 7, 2010, 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 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 did note certain matters that we reported to the Library's management in a separate letter dated April 7, 2010.

We intend this report solely for the information and use of the audit committee, 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

April 7, 2010



Mary Taylor, CPA
Auditor of State

PIQUA PUBLIC LIBRARY

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**