



**Auditor of State
Betty Montgomery**

MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Mary L. Cook Public Library
Warren County
381 Old Stage Road
Waynesville, Ohio 45068

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Mary L. Cook Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Government 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 1, 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 basis financial position of the governmental activities and each major fund of Mary L. Cook Public Library, Warren County, Ohio, as of December 31, 2004, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We believe our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2005 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 Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 1, 2005

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Board's cash basis accounting.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$648,969, or 52 percent, a significant change from the prior year. This large decrease in cash and cash equivalents occurred most heavily in the Building Fund. Our construction of the new Library addition, including renovations to the existing building, commenced at the end of 2003 and continued into 2004.

The Library's general receipts are primarily State Library and local Government Support Fund receipts. These receipts represent respectively 93 percent of the total cash received for governmental activities during the year.

Library construction completed in August 2004 added 5,175 square feet to the library. This included a new children's room and a young adult room. The young adult room reflected a new programming area focused specifically towards teens.

Staff dipped to 16 with the retirement of the Clerk-Treasurer, who was replaced in the spring with a new fiscal officer, bringing full and part-time staff to a total of 17 employees.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a 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.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
(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 Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services, support services, and capital outlay. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

The Library as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$593,885	\$1,242,854
Net Assets		
Restricted for:		
Capital Projects	200,079	970,480
Unrestricted	393,806	272,374
Total Net Assets	\$593,885	\$1,242,854

As mentioned previously, net assets of governmental activities decreased \$ 648,969 or 52 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- The building addition resulted in disbursements of \$781,406. These funds were available due to the creation of a building fund by the Library Board during the early 1990's. Unexpended LLGSF funds were placed in the building fund at the end of each fiscal year. Careful savings and investing on the part of the Board allowed the addition to be accomplished at no additional cost to patrons and taxpayers.
- Technology Fund disbursements of \$12,142 for Professional Services and Equipment in 2004.

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$24,966
Operating Grants and Contributions	1,059
Capital Grants and Contributions	17,086
Total Program Receipts	<u>43,111</u>
General Receipts:	
Library and Local Government Support Fund	654,682
Unrestricted Gifts and Contributions	1,150
Interest	9,674
Miscellaneous	340
Total General Receipts	<u>665,846</u>
Total Receipts	<u>708,957</u>
Disbursements:	
Salaries	329,471
Employee Fringe Benefits	57,867
Purchased and Contractual Services	81,281
Library Materials and Information	87,776
Supplies	15,569
Other	3,944
Capital Outlay	782,018
Total Disbursements	<u>1,357,926</u>
Increase (Decrease) in Net Assets	(648,969)
Net Assets, January 1, 2004	<u>1,242,854</u>
Net Assets, December 31, 2004	<u><u>\$593,885</u></u>

Program receipts represent only 6 percent of total receipts and are primarily of patron fines and fees, as well as contributions and donations.

General receipts represent 94 percent of the Library's total receipts, and of this amount 99 percent are intergovernmental receipts. Miscellaneous receipts, unrestricted gifts, and interest make up the remaining 1 percent of the Library's general receipts.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for Library activities. These include the costs of public service programs, facility operation and maintenance, the auditor, the treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Capital Outlay for our building addition and Salaries, which account for 58 and 25 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
Current		
Salaries	329,471	329,471
Employee Fringe Benefits	57,867	57,867
Purchased and Contracted Services	81,281	81,281
Library Materials and Information	87,776	61,970
Supplies	15,569	15,350
Other	3,944	3,944
Capital Outlay	782,018	764,932
Total Expenses	\$1,357,926	\$1,314,815

The dependence upon intergovernmental receipts is apparent as over 93% percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$708,957 and disbursements of \$1,357,926. The greatest change within governmental funds occurred within the Building Fund. Of the \$912,475 accumulated by 2003, \$781,406 (approximately 86 percent) has been expended in 2004 toward the building addition and renovations completed in 2004.

The fund balance of the General Fund increased \$121,432 as a result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF). General Fund receipts were more than disbursements by \$121,432, indicating that efforts to contain costs and limit expenses were successful. In light of the continued uncertainty regarding the LLGSF, it was decided that a continued reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in the LLGSF funding is reduced or remains stagnant.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

From the Building Fund \$781,406 was spent in 2004 towards the building addition and remodeling of the existing building. Another \$34,912 is reserved for the balance due on this completed project. This will leave \$118,633 in the Building Fund, signifying the project was completed significantly under budget.

General Fund Budgeting Highlights

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

During 2004, the Library did not require amendments to its General Fund budget. Final budgeted receipts were more than original budgeted receipts due to increases in Intergovernmental receipts, Patron Fines and Fees, Contributions, Gifts and Donations, and Earnings on Investments. The difference between final budgeted receipts and actual receipts was not significant at 1 percent.

Final disbursements were budgeted at \$935,734 while actual disbursements were \$564,281. Capital Outlay was budgeted at \$296,128 to allow for possible additional expenses during the addition and renovation project. Actual disbursements were \$2,972. The Library held spending below budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$378,210 for 2004.

Capital Assets and Debt Administration

Capital Assets

The Government does not currently keep track of its capital assets and infrastructure

Debt

At December 31, 2004, the Library had no outstanding debt.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. LLGSF funding has been frozen at year 2000 levels since the beginning of the 2001-2003 biennium budget. Warren County libraries divide LLGSF funds according to a formula based on population, circulation, building and grounds square footage and collection size. The slight increase in funding for the Library is due to an increase in population and circulation.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Maloney, Clerk-Treasurer, Mary L. Cook Public Library, 381 Old Stage Road, Waynesville, Ohio 45068, or email at maloneke@oplin.org.

MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$593,885</u>
<i>Total Assets</i>	<u><u>\$593,885</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$200,079
Unrestricted	<u>393,806</u>
<i>Total Net Assets</i>	<u><u>\$593,885</u></u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries	329,471	0	0	(\$329,471)
Employee Fringe Benefits	57,867	0	0	(57,867)
Purchased and Contracted Services	81,281	0	0	(81,281)
Library Materials and Information	87,776	24,747	1,059	(61,970)
Supplies	15,569	219	0	(15,350)
Other	3,944	0	0	(3,944)
Capital Outlay	782,018	0	17,086	(764,932)
<i>Total Governmental Activities</i>	<u>\$1,357,926</u>	<u>\$24,966</u>	<u>\$1,059</u>	<u>(\$17,086)</u>
 General Receipts				
				1,150
				654,682
				9,674
				340
				665,846
				(648,969)
				1,242,854
				<u>\$593,885</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	<u>General</u>	<u>Building Fund</u>	<u>Technology Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$393,806	\$153,545	\$46,534	\$593,885
<i>Total Assets</i>	<u>\$393,806</u>	<u>\$153,545</u>	<u>\$46,534</u>	<u>\$593,885</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$7,395	\$34,912	\$0	\$42,307
Unreserved:				
General Fund	386,411	0	0	386,411
Capital Projects Funds	0	118,633	46,534	165,167
<i>Total Fund Balances</i>	<u>\$393,806</u>	<u>\$153,545</u>	<u>\$46,534</u>	<u>\$593,885</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	General	Building Fund	Technology Fund	Total Governmental Funds
Receipts				
Intergovernmental	654,682	0	0	654,682
Patron Fines and Fees	24,966	0	0	24,966
Contributions, Gifts and Donations	2,209	17,086	0	19,295
Earnings on Investments	3,517	5,486	671	9,674
Miscellaneous	340	0	0	340
<i>Total Receipts</i>	<u>685,714</u>	<u>22,572</u>	<u>671</u>	<u>708,957</u>
Disbursements				
Current:				
Library Services:				
Salaries	329,471	0	0	329,471
Employees Fringe Benefits	57,867	0	0	57,867
Purchased and Contractual Services	66,779	11,502	3,000	81,281
Library Materials and Information	87,776	0	0	87,776
Supplies	15,569	0	0	15,569
Other	3,848	0	0	3,848
Capital Outlay	2,972	769,904	9,142	782,018
<i>Total Disbursements</i>	<u>564,282</u>	<u>781,406</u>	<u>12,142</u>	<u>1,357,830</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>121,432</u>	<u>(758,834)</u>	<u>(11,471)</u>	<u>(648,873)</u>
Other Financing Receipts/(Disbursements):				
Other Financing Uses	0	(96)	0	(96)
<i>Total Other Financing (Disbursements)</i>	<u>0</u>	<u>(96)</u>	<u>0</u>	<u>(96)</u>
<i>Fund Balances Beginning of Year</i>	<u>272,374</u>	<u>912,475</u>	<u>58,005</u>	<u>1,242,854</u>
<i>Fund Balances End of Year</i>	<u>\$393,806</u>	<u>\$153,545</u>	<u>\$46,534</u>	<u>\$593,885</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	652,606	652,606	654,682	2,076
Patron Fines and Fees	24,300	24,300	24,966	666
Contributions, Gifts and Donations	1,000	1,000	2,209	1,209
Earnings on Investments	700	700	3,517	2,817
Miscellaneous	350	350	340	(10)
<i>Total receipts</i>	<u>678,956</u>	<u>678,956</u>	<u>685,714</u>	<u>6,758</u>
Disbursements				
Current:				
Library Services:				
Salaries	349,495	349,495	329,471	20,024
Employees Fringe Benefits	61,737	61,737	57,867	3,870
Purchased and Contractual Services	95,525	95,525	66,779	28,746
Library Materials and Information	88,171	88,171	87,776	395
Supplies	18,500	18,500	15,569	2,931
Other	6,600	6,600	3,848	2,752
Contingency	19,578	19,578	0	19,578
Capital Outlay	296,128	296,128	2,972	293,156
<i>Total Disbursements</i>	<u>935,734</u>	<u>935,734</u>	<u>564,282</u>	<u>371,452</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(256,778)</u>	<u>(256,778)</u>	<u>121,432</u>	<u>378,210</u>
<i>Fund Balance Beginning of Year</i>	256,778	256,778	256,778	0
Prior Year Encumbrances Appropriated	15,596	15,596	15,596	0
<i>Fund Balance End of Year</i>	<u>\$15,596</u>	<u>\$15,596</u>	<u>\$393,806</u>	<u>\$378,210</u>

See accompanying notes to the basic financial statements

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**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

1. Description of the Library and Reporting Entity

The Mary L. Cook Public Library, Warren County, Ohio (the Library), was organized as a school district public library in 1917 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Wayne Local School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Wayne Local School Board, although the School Board 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 Wayne Local School Board 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 Wayne Local School Board.

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 Wayne Local School District.

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

The Friends of the Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Funds received from the organization are not a significant resource for the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

2. Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a cash basis of accounting. The Library recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and government wide financial statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

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 governmental financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the Library as a whole.

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. Direct disbursements are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

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

B. Fund Accounting

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

Governmental Funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. 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 governmental funds:

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

General Fund - The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund - This fund is used to account for resources restricted to the acquisition, construction, or repair of major capital improvements.

Technology Fund - This fund is used to account for resources restricted to technology upgrades.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Library's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund 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 revenue to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Library may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Library.

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

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

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

During 2004, investments were limited to a money market fund and STAR Ohio. Except for the money market fund and STAR Ohio these investments are recorded at cost. The money market fund and STAR Ohio are recorded at share values reported by the mutual fund.

The Library's money market fund investment is recorded at amounts reported by Lebanon Citizens National Bank.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$3,517.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent \$13,462.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

2. Summary of Significant Accounting Policies (Continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for murals, bricks, pavers, benches, and for use toward Ohioana events.

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

L. Fund Balance Reserves

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

3. Change in Format

The Library has adopted a new financial statement format prescribed by GASB Statements No. 34 and included the related disclosures.

4. Grants –In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

4. Grants –In-Aid and Tax Receipts (Continued)

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. 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 for the general fund is presented 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 are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$7,395 for the general fund.

6. Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

6. Deposits and Investments (Continued)

3. Written repurchase agreements in 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 two percent and marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$130.00 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments.

At year end, the carrying amount of the Library's deposits was \$593,885 and the bank balance was \$616,536. Of the bank balance \$35,000 was covered by federal depository insurance and \$581,536 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC. Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

7. Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors & Omissions
- Fidelity and Deposit

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.

8. Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

9. Postemployment Benefits

A. Ohio Public Employees Retirement System

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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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Auditor of State Betty Montgomery

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

Mary L. Cook Public Library
Warren County
381 Old Stage Road
Waynesville, Ohio 45068

To the Board of Trustees:

We have audited the financial statements of the Mary L. Cook Public Library, Warren County, (the Library), as of and for the year ended December 31, 2004, and have issued our report thereon dated October 1, 2005, wherein we 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated October 1, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

Mary L. Cook Public Library
Warren County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 1, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MARY L. COOK PUBLIC LIBRARY

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2005**