



**GEAUGA COUNTY PUBLIC LIBRARY
GEAUGA COUNTY**

REGUALR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

**GEAUGA COUNTY PUBLIC LIBRARY
GEAUGA COUNTY**

TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis – Fiscal Year 2005	3
Basic Financial Statements	
Government-wide Financial Statements – Fiscal Year 2005:	
Statement of Net Assets – Modified Cash Basis	11
Statement of Activities – Modified Cash Basis	12
Fund Financial Statements – Fiscal Year 2005:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	13
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – LSTA Fund	16
Notes to the Basic Financial Statements	17
Management's Discussion and Analysis – Fiscal Year 2004	27
Basic Financial Statements	
Government-wide Financial Statements – Fiscal Year 2004:	
Statement of Net Assets – Modified Cash Basis	33
Statement of Activities – Modified Cash Basis	34
Fund Financial Statements – Fiscal Year 2004:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	35
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds	36
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	37
Notes to the Basic Financial Statements	39
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Geauga County Public Library
Geauga County
12701 Ravenwood Drive
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Geauga County Public Library, Geauga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 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 Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and each major fund information of Geauga County Public Library, Geauga County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and LSTA Funds for December 31, 2005 and General Fund for December 31, 2004 thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3 for the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and Governmental Accounting Standards No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2006, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 13, 2006

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Geauga County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$45,538, or 6 percent, a significant change 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 increased costs.

The primary source of General Fund receipts was Library and Local Government Support Fund (LLGSF). These receipts represented over 60% of General Fund revenues. The secondary source of the Library's general receipts was local property taxes which amounted to approximately 35% of the total cash received in the General Fund. The two sources combined equate to just over 95% of General Fund revenues. The Library's dependence upon property tax receipts and LLGSF is apparent.

A past decision by Ohio Government to continue the freeze of the Library and Local Government Support Fund severely limited its growth during 2005. Because of the continuance of this freeze, there was little difference in the amount of LLGSF collected by Geauga County Public Library in 2005 compared to 2004.

The Library was awarded an LSTA grant for the purpose of serving homebound seniors. The federal grant award was \$29,400 of which \$9,550 was received in 2005. The grant requires monthly disbursements be made during 2005 and 2006.

At the end of year, the Library collected approximately 5% more in property taxes than anticipated. This was partially due to the collection of delinquent taxes and also due to the settlement of a longstanding tax dispute with Six Flags Amusement Park.

The Library sold stock it had received as a gift. Eighty-two shares of Dominion Resources stock were sold on July 13, 2005. Net earning on this investment was \$1,216. The value of stock owned by Geauga County Public Library at year end was \$39,983.

Using the Basic Financial Statements

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

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The notes to the basic 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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 modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, 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 local revenue sources such as property taxes and Library and Local Government Support Fund (LLGSF)

In the statement of net assets and the statement of activities, we express the Library's activities as the following:

Governmental Activities - All of the Library's basic programs and services are reported here, including: general library services, library support and business administrative services, library materials, capital outlay, and purchased and contracted services. It is important to identify the fact that Geauga County Public Library services are primarily funded by the State of Ohio Library and Local Government Support Fund (LLGSF) and secondarily funded by property taxes. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

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 money that is restricted as to how it may be used is being spent for the intended purpose. The Library has only governmental funds.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) would be combined and presented in total in a single column. The Library had four major governmental funds the General, LSTA, Debt Service, and Building and Repair Funds and the Library had no nonmajor funds. 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 Government as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis:

Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$702,393	\$742,697
Investments	18,012	23,246
Total Assets	\$720,405	\$765,943
Net Assets		
Restricted for:		
Debt Service	\$219,812	\$213,960
Capital Projects	149,577	74,577
Other Purposes	17,706	0
Unrestricted	333,310	477,406
Total Net Assets	\$720,405	\$765,943

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

As mentioned previously, net assets of governmental activities decreased \$45,538 or 6 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The costs of providing health benefits grew 16% over the prior year.
- In 2005, the Library remained aggressive in the payment of debt. A total of \$213,908 was paid out of the Debt Service Fund to make the annual interest and principal payment for the Library's Administrative Center.
- In 2005, monies were transferred to the Building and Repair Fund in order to prepare for the probability of replacing the Library system's fourteen year old bookmobile.
- In 2005, the costs of utilities and fuel increased significantly.

Table 2 reflects the changes in net assets on a modified cash basis in 2005 and 2004 for governmental activities.

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$233,063	\$239,856
Operating Grants and Contributions	14,050	0
Total Program Receipts	<u>247,113</u>	<u>239,856</u>
General Receipts:		
Property Taxes Levied for General Purposes	2,121,635	2,025,289
Unrestricted Gifts and Contributions	15,481	25,604
Grants and Entitlements not Restricted To Specific Programs	3,583,652	3,553,249
Interest	35,041	17,653
Miscellaneous	6,584	6,848
Total General Receipts	<u>5,762,393</u>	<u>5,628,643</u>
Total Receipts	<u>6,009,506</u>	<u>5,868,499</u>
Disbursements:		
Governmental		
General Library Services	978,340	922,515
Library Materials and Information	1,146,300	1,087,158
Public Services and Programs	1,694	0
Business Administration	1,230,036	1,185,940
Library Support Services	2,325,184	2,227,019
Capital Outlay	159,582	294,297
Debt Service:		
Principal Retirement	200,000	200,000
Interest and Fiscal Charges	13,908	18,600
Total Disbursements	<u>6,055,044</u>	<u>5,935,529</u>
Excess (Deficiency) Before Special Item	(45,538)	(67,030)
Special Item – Proceeds from Sale of Land	0	105,900
Increase (Decrease) in Net Assets	<u>(45,538)</u>	<u>38,870</u>
Net Assets Beginning of Year	<u>765,943</u>	<u>727,073</u>
Net Assets End of Year	<u>\$720,405</u>	<u>\$765,943</u>

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Program receipts represent only 4 percent of total receipts and are primarily comprised of charges for services.

General receipts represent 96 percent of the Library's total receipts, and of this amount, 35 percent are property taxes. LLGSF make up the balance of the Library's general receipts (60 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for general library services, library materials and information, library support services and business administration represent the major costs within the Library system. These disbursements represent 94 percent of disbursements. Part of the library support services increase was due to more "Moving Ohio Resources Everywhere", as the use was significant during the year requiring additional staff.

Governmental Activities

If you look at the Statement of Activities on page 12, 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 Library Support Services and Business Administration, which account for 38 and 20 percent of all governmental disbursements, respectively. Library Materials and Information also represents a significant cost, about 19 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and sales received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by 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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
General Library Services	\$978,340	(\$957,217)	\$922,515	(\$901,306)
Library Materials and Information	1,146,300	(934,360)	1,087,158	(883,032)
Public Services and Programs	1,694	12,356	0	0
Business Administration	1,230,036	(1,230,036)	1,185,940	(1,185,940)
Library Support Servies	2,325,184	(2,325,184)	2,227,019	(2,212,498)
Capital Outlay	159,582	(159,582)	294,297	(294,297)
Debt Service:				
Principal Retirement	200,000	(200,000)	200,000	(200,000)
Interest and Fiscal Charges	13,908	(13,908)	18,600	(18,600)
Total Expenses	<u>\$6,055,044</u>	<u>(\$5,807,931)</u>	<u>\$5,935,529</u>	<u>(\$5,695,673)</u>

The dependence upon property tax receipts and grants entitlements are apparent as over 95 percent of governmental activities are supported through these general receipts.

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government's Funds

Total governmental funds had receipts of \$6,009,506 and disbursements of \$6,055,044. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$144,096 as the result of an increase in general library services.

General Fund receipts were greater than disbursements by \$160,514 indicating the General Fund is not in a deficit spending situation.

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 2005, the Library had a minor amendment to its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant.

Final receipts were budgeted at \$5,983,933. Actual receipts were \$5,999,956, \$16,023 more than the final budget amount. Final disbursements were budgeted at \$6,126,937. Actual disbursements were \$6,030,145, \$96,792 less than the final budgeted amount. The result is a decrease in fund balance of \$108,403 for 2005.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Library's outstanding debt included \$800,000 in refinancing agreement for the construction of the Library Administrative Center. For further information regarding the Library's debt, refer to Note 9 to the basic financial statements.

Current Issues

Geauga County Public Library system relies heavily upon the State of Ohio, specifically the Library and Local Government Support Fund, for current operations. The challenge for the Library and other governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Library has faced difficult decisions this year as we continued in an environment of frozen levels of funding through mandates by the State of Ohio. The Library's circulation continues to grow even in this hard economic period. Continued funding through the LLGSF protects the quality of library service to our patrons.

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 Leslie Haines, Clerk-Treasurer, Geauga County Public Library, 12701 Ravenwood Drive, Chardon, OH 44024.

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Geauga County Public Library
Geauga County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$702,393
Investments	<u>18,012</u>
<i>Total Assets</i>	<u><u>\$720,405</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$149,577
Debt Service	219,812
Other Purposes	17,706
Unrestricted	<u>333,310</u>
<i>Total Net Assets</i>	<u><u>\$720,405</u></u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	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				
Current:				
General Library Services	\$978,340	\$21,123		(\$957,217)
Library Materials and Information	1,146,300	211,940		(934,360)
Public Services and Programs	1,694		\$14,050	12,356
Business Administration	1,230,036			(1,230,036)
Library Support Services	2,325,184			(2,325,184)
Capital Outlay	159,582			(159,582)
Debt Service:				
Principal Retirement	200,000			(200,000)
Interest and Fiscal Charges	13,908			(13,908)
<i>Total Governmental Activities</i>	<u>\$6,055,044</u>	<u>\$233,063</u>	<u>\$14,050</u>	(5,807,931)
General Receipts				
Property Taxes Levied for General Purposes				2,121,635
Unrestricted Gifts and Contributions				15,481
Grants and Entitlements not Restricted to Specific Programs				3,583,652
Interest				35,041
Miscellaneous				6,584
<i>Total General Receipts</i>				5,762,393
Change in Net Assets				(45,538)
<i>Net Assets Beginning of Year</i>				<u>765,943</u>
<i>Net Assets End of Year</i>				<u>\$720,405</u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	LSTA Fund	Debt Service Fund	Building and Repair Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$315,298	\$17,706	\$219,812	\$149,577	\$702,393
Investments	18,012				18,012
<i>Total Assets</i>	<u>\$333,310</u>	<u>\$17,706</u>	<u>\$219,812</u>	<u>\$149,577</u>	<u>\$720,405</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$190,703	\$7,465			\$198,168
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	142,607				142,607
Special Revenue Funds		10,241			10,241
Debt Service Fund			\$219,812		219,812
Capital Projects Funds				\$149,577	149,577
<i>Total Fund Balances</i>	<u>\$333,310</u>	<u>\$17,706</u>	<u>\$219,812</u>	<u>\$149,577</u>	<u>\$720,405</u>

See accompanying notes to the basic financial statements

**Geauga County Public Library
Geauga County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds*

For the Year Ended December 31, 2005

	General	LSTA Fund	Debt Service Fund	Building and Repair Fund	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$2,121,635		\$0	\$0	\$2,121,635
Intergovernmental	3,588,152	\$9,550			3,597,702
Patron Fines and Fees	233,063				233,063
Contributions, Gifts and Donations	15,481				15,481
Earnings on Investments	35,041				35,041
Miscellaneous	6,584				6,584
<i>Total Receipts</i>	<u>5,999,956</u>	<u>9,550</u>	<u>0</u>	<u>0</u>	<u>6,009,506</u>
Disbursements					
Current:					
General Library Services	978,340				978,340
Library Materials and Information	1,146,300				1,146,300
Public Services and Programs		1,694			1,694
Business Administration	1,230,036				1,230,036
Library Support Services	2,325,184				2,325,184
Capital Outlay	159,582				159,582
Debt Service:					
Principal Retirement			200,000		200,000
Interest and Fiscal Charges			13,908		13,908
<i>Total Disbursements</i>	<u>5,839,442</u>	<u>1,694</u>	<u>213,908</u>	<u>0</u>	<u>6,055,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>160,514</u>	<u>7,856</u>	<u>(213,908)</u>	<u>0</u>	<u>(45,538)</u>
Other Financing Sources (Uses)					
Transfers In		9,850	219,760	75,000	304,610
Transfers Out	(304,610)				(304,610)
<i>Total Other Financing Sources (Uses)</i>	<u>(304,610)</u>	<u>9,850</u>	<u>219,760</u>	<u>75,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(144,096)</u>	<u>17,706</u>	<u>5,852</u>	<u>75,000</u>	<u>(45,538)</u>
<i>Fund Balances Beginning of Year</i>	<u>477,406</u>		<u>213,960</u>	<u>74,577</u>	<u>765,943</u>
<i>Fund Balances End of Year</i>	<u>\$333,310</u>	<u>\$17,706</u>	<u>\$219,812</u>	<u>\$149,577</u>	<u>\$720,405</u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For Fiscal Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RECEIPTS				
Property and Other Local Taxes	\$2,007,604	\$2,118,235	\$2,121,635	\$3,400
Intergovernmental	3,705,428	3,583,151	3,588,152	5,001
Patron Fines and Fees	229,300	229,300	233,063	3,763
Business Administration	6,800	6,800		(6,800)
Contributions, Gifts and Donations	14,000	19,275	15,481	(3,794)
Earnings on Investments	21,700	22,972	35,041	12,069
Miscellaneous	4,200	4,200	6,584	2,384
<i>Total Receipts</i>	<u>5,989,032</u>	<u>5,983,933</u>	<u>5,999,956</u>	<u>16,023</u>
DISBURSEMENT				
General Library Services	1,219,632	1,060,121	1,024,340	35,781
Library Materials and Information	1,351,628	1,273,939	1,256,739	17,200
Business Administrative Services	1,229,480	1,254,409	1,230,036	24,373
Library Support Services	2,321,706	2,369,375	2,359,448	9,927
Capital Outlay	320,746	169,093	159,582	9,511
<i>Total Disbursement</i>	<u>6,443,192</u>	<u>6,126,937</u>	<u>6,030,145</u>	<u>96,792</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	0	(304,610)	(304,610)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(304,610)</u>	<u>(304,610)</u>	<u>0</u>
Net Change in Fund Balance	(454,160)	(447,614)	(334,799)	112,815
Fund Balance Beginning of Year	251,010	251,010	251,010	0
Prior Year Encumbrances Appropriated	226,396	226,396	226,396	0
Fund Balance End of Year	<u><u>\$23,246</u></u>	<u><u>\$29,792</u></u>	<u><u>\$142,607</u></u>	<u><u>\$112,815</u></u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
LSTA Fund
For Fiscal Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$0	\$9,550	\$9,550	\$0
<i>Total Receipts</i>	0	9,550	9,550	0
DISBURSEMENT				
General Library Services	1,202	1,202	1,065	137
Library Materials and Information	5,000	5,000	5,000	0
Public Services and Programs	2,720	4,320	1,694	2,626
Capital Outlay	1,678	1,678	1,400	278
<i>Total Disbursement</i>	10,600	12,200	9,159	3,041
OTHER FINANCING SOURCES (USES)				
Transfers In	0	9,850	9,850	0
<i>Total Other Financing Sources (Uses)</i>	0	9,850	9,850	0
Net Change in Fund Balance	(10,600)	7,200	10,241	3,041
Fund Balance Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance End of Year	(\$10,600)	\$7,200	\$10,241	\$3,041

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 – Description of the Library and Reporting Entity

The Geauga County Public Library, Geauga County, Ohio, (the Library) was organized as a county district public library in 1963 under the laws of the State of Ohio. The Library system is actually comprised of six libraries, one bookmobile and an administrative center. Individual units are located at:

<i>Administration Center</i>	<i>12701 Ravenwood Drive</i>	<i>Chardon, OH 44024</i>
<i>Bainbridge Library</i>	<i>17222 Snyder Road</i>	<i>Chagrin Falls, OH 44023</i>
<i>Bookmobile</i>	<i>c/o 16167 East High St</i>	<i>Middlefield, OH 44062</i>
<i>Chardon Library</i>	<i>110 East Park Street</i>	<i>Chardon, OH 44024</i>
<i>Geauga West Library</i>	<i>13455 Chillicothe Road</i>	<i>Chesterland, OH 44026</i>
<i>Middlefield Library</i>	<i>16167 East High Street</i>	<i>Middlefield, OH 44062</i>
<i>Newbury Library Station</i>	<i>14775 Auburn Road</i>	<i>Newbury, OH 44065</i>
<i>Thompson Library Station</i>	<i>16700 Thompson Road</i>	<i>Thompson, OH 44086</i>

The Library has its own Board of Trustees of seven members, four of whom are appointed by the Geauga County Commissioners and three by the Judge of the County Common Pleas Court. 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 County Commissioners, although the Commissioners serve 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 Commissioners.

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.

Each Library and Bookmobile has Friends of the Library organization; there are a total of seven Friends groups. There is also a Geauga County Library Foundation. All groups are not for profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations are not included with the reporting entity of the Library. The Library exercises no financial control over any of these organizations. Treasurer's reports for each organization can be obtained through the respective Treasurers.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 1 – Description of the Library and Reporting Entity (continued)

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and investment balances, of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

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

LSTA Fund - The LSTA fund accounts for all activities related to a Library Services and Technology Act full grant award which the library was awarded.

Debt Service - The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness for the Administrative Offices.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements

C. Basis of Accounting

The Library's financial statements are prepared using the *modified* 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 *modified* cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) 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 sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Cash Equivalents

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

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

During 2005, investments were limited to Stock.

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

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 disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

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.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Library's *modified* cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. 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.

M. 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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and LSTA funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the *modified* cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis)

Note 4 – Deposits and Investments

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

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

Inactive deposits are public deposits that the 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:

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 4 - Deposits and Investments (continued)

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

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

At year end, the Library had \$720,405 as a total of fund balance of which \$18,012 was reflected as the original value of stock holdings. Undeposited cash on hand of \$545 is included as part of "*Equity in Pooled Cash and Cash Equivalents*" on the financial statements.

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, \$678,602 of the Library's bank balance of \$878,602 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department.

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 4 - Deposits and Investments (continued)

Investments

The Library's stock holding original value was \$18,012 and the value at December 31, 2004 was \$39,983. The Library has no investment policy for custodial risk beyond the requirements of State statute.

Note 5 – Library and Local Government Support and Property Taxes

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF), which is included in Intergovernmental. 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 a formula unique to Geauga County. The Budget Commission cannot reduce its allocation of these funds to the Library based on knowledge of any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Geauga County Public Library. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2005, was \$1.00 per \$1,000 (agriculture/residential effective rate .902201 and commercial industrial effective rate .938667) of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 5 – Library and Local Government Support and Property Taxes (continued)

Real Property	
Residential	\$ 1,846,794,070
Agricultural	228,665,740
Commercial/Industrial/Mineral	242,843,280
Tangible Personal Property	
Business	127,496,080
Public Utility	69,310,930
Total Assessed Value	\$ 2,515,110,100

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Library contracted with the following for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Utica Insurance	Commercial Property	\$7,685,194
	General Liability	3,000,000
	Commercial Crime	250,000
	Vehicle	1,000,000
Alvord Agency	Clerk/Treasurers Bond	40,000
Richmond and Richmond	Errors and Omissions	1,000,000
	Employee dishonesty	250,000
	Inland Marine	10,956,706

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.

Note 7 - Defined Benefit Pension Plan

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 7 - Defined Benefit Pension Plan (continued)

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, 2005, 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 2005 was 13.55 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, 2005, 2004, and 2003 were \$280,662, \$263,722, and \$260,230, respectively; the full amount has been contributed for 2005, 2004, and 2003. Contributions to the member-directed plan for 2005 were \$7,476 made by the Library and \$4,690 made by the plan members.

Note 8 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 2005 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, 2004, 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 6.30 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$117,555. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 9 – Debt

In 1998, the County agreed to serve as the conduit for \$2,000,000 to pay for construction costs of the Administrative Center. At December 31, 2005, the Library's outstanding debt included \$800,000 in a refinancing agreement for the construction of the Library Administration Center.

Library Administrative Center Debt Summary

Year	Principal	Principal payment
2006	800,000	200,000
2007	600,000	200,000
2008	400,000	200,000
2009	200,000	200,000

Note 10 – Leases

The Library leases postage meters under noncancelable leases. The Library disbursed \$24,996 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows.

Year	Amount
2006	\$4,200
2007	4,200
2008	2,640
Total	<u>\$11,040</u>

Note 11 – Interfund Transfers

The general fund transferred \$304,610 to LSTA, debt service and building repair funds for the payment of debt and purchase and maintenance of various items throughout the Library.

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the Geauga County Public Library'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 Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$38,870, or 5 percent, a significant change from the prior year. This increase in assets was primarily due to the sale of surplus property located at 112 E. Park Street in Chardon, OH. This property was no longer needed and of no further benefit to the system; net proceeds from the sale were \$105,900.

The primary source of General Fund receipts was Library and Local Government Support Fund (LLGSF). These receipts represented over 61% of General Fund revenues. The secondary source of the library general receipts was local property taxes which amounted to approximately 35% of the total cash received in the General Fund. The two sources combined equate to just over 96% of General Fund revenues. The library's dependence upon property tax receipts and LLGSF is apparent.

A past decision by Ohio Government to continue the freeze of the Library and Local Government Support Fund severely limited its growth during 2004. Because of the continuance of this freeze, there was little difference in the amount of LLGSF collected by Geauga County Public Library in 2004 compared to 2003.

The Library moved its Middlefield branch to 16167 E. High and opened to the public in August 2004. Voters in the Cardinal Local School District passed a bond issue which was used to construct the building.

In 2004, Geauga County Public Library remained aggressive in the payment of debt. A total of \$218,600 was paid out the Debt Services Fund to make the annual interest and principal payment on the note secured as financing for the Library's Administrative Center.

The value of the stock owned by Geauga County Public Library at year end was \$41,388.

Using the Basic Financial Statements

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

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Basis of Accounting

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

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

Reporting the Government 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 modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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 modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, 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 local revenue sources such as property taxes and Library and Local Government Support Fund (LLGSF).

In the statement of net assets and the statement of activities, we express the Library's activities as the following:

Governmental Activities - All of the Library's basic programs and services are reported here, including: general library services, library support and business administrative services, library materials, capital outlay, and purchased and contracted services. It is important to identify the fact that Geauga County Public Library services are primarily funded by the State of Ohio Library and Local Government Support Fund (LLGSF) and secondarily funded by property taxes. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2004
 Unaudited

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 money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most 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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) would be combined and presented in total in a single column. The Library has three major governmental funds General, Debt Service, and Building and Repair Funds and the Library had no nonmajor funds. 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 Government as a Whole

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

(Table 1)

Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$742,697	\$703,827
Investments	23,246	23,246
Total Assets	\$765,943	\$727,073
Net Assets		
Restricted for:		
Debt Service	\$213,960	\$218,600
Capital Projects	74,577	53,861
Unrestricted	477,406	454,612
Total Net Assets	\$765,943	\$727,073

As mentioned previously, net assets of governmental activities increased \$38,870 or 5 percent during 2004. The increase was due to the sale of property located at 112 E. Park Street in Chardon, Ohio.

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2004
 Unaudited

Table 2 reflects the net assets on a modified cash basis for 2004. The Library had not converted 2003 data into the new comparative analysis of government-wide data; comparative information has not been presented. In the future when prior year information is available, a comparative analysis will be presented.

	Governmental Activities 2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$239,856
Total Program Receipts	239,856
General Receipts:	
Property Taxes Levied for General Purposes	2,025,289
Unrestricted Gifts and Contributions	25,604
Grants and Entitlements not Restricted To Specific Programs	3,553,249
Interest	17,653
Miscellaneous	6,848
Total General Receipts	5,628,643
Total Receipts	5,868,499
Disbursements:	
Governmental	
General Library Services	922,515
Library Materials and Information	1,087,158
Business Administration	1,185,940
Library Support Services	2,227,019
Capital Outlay	294,297
Debt Service:	
Principal Retirement	200,000
Interest and Fiscal Charges	18,600
Total Disbursements	5,935,529
Excess (Deficiency) Before Special Item	(67,030)
Special Item – Proceeds from Sale of Land	105,900
Increase (Decrease) in Net Assets	38,870
Net Assets, January 1, 2004	727,073
Net Assets, December 31, 2004	\$765,943

Program receipts represent only 4 percent of total receipts and are primarily comprised of charges for services.

General receipts represent 96 percent of the Library's total receipts, and of this amount, 35 percent are property taxes. LLGSF make up the balance of the Library's general receipts (61 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Geauga County Public Library
 Geauga County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2004
 Unaudited

Disbursements for general library services, library materials and information, library support services and business administration represent the major costs within the Library system. These disbursements represent 91 percent of disbursements. Part of the library support services increase was due to more "Moving Ohio Resources Everywhere", as the use was significant during the year requiring additional staff.

Library staff received a 4.5% salary increase mid year as a transition to the new merit system that was implemented during the year. A new maintenance van was purchased in 2004 at a cost of \$18,052.

Governmental Activities

If you look at the Statement of Activities on page 32, 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 Library Support Services and Business Administration, which account for 38 and 20 percent of all governmental disbursements, respectively. Library Materials and Information also represents a significant cost, about 18 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and sales received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by 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
General Library Services	\$922,515	(\$901,306)
Library Materials and Information	1,087,158	(883,032)
Business Administration	1,185,940	(1,185,940)
Library Support Servies	2,227,019	(2,212,498)
Capital Outlay	294,297	(294,297)
Debt Service:		
Principal Retirement	200,000	(200,000)
Interest and Fiscal Charges	18,600	(18,600)
Total Expenses	\$5,935,529	(\$5,695,673)

The dependence upon property tax receipts and LLGSF are apparent as over 95 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$5,868,499 and disbursements of \$5,935,529. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$22,794 as the result of a decrease in disbursements.

Geauga County Public Library
Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund receipts were greater than disbursements by \$180,854 indicating the General Fund is not in a deficit spending situation.

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 had a minor amendment to its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant.

Final receipts were budgeted at \$5,792,789. Actual receipts were \$5,868,499, \$75,710 more than the final budget amount. Final disbursements were budgeted at \$5,960,194. Actual disbursements were \$5,914,040, \$46,154 less than the final budgeted amount. The result is a decrease in fund balance of \$21,708 for 2004.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2004, the Library's outstanding debt included \$1,000,000 in refinancing agreement for the construction of the Library Administrative Center. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

Current Issues

Geauga County Public Library system relies heavily upon the State of Ohio, specifically the Library and Local Government Support Fund, for current operations. The challenge for the Library and other governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library has faced difficult decisions this year as we continued in an environment of frozen levels of funding through mandates by the State of Ohio. The Library's circulation continues to grow even in this hard economic period. Continued funding through the LLGSF protects the quality of library service to our patrons.

In February 2004, the Board of Trustees formally invited Burton Public Library the opportunity to consolidate with Geauga County Public Library system.

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 Leslie Haines, Clerk-Treasurer, Geauga County Public Library, 12701 Ravenwood Drive, Chardon, OH 44024.

Geauga County Public Library
Geauga County
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$742,697
Investments	<u>23,246</u>
<i>Total Assets</i>	<u><u>\$765,943</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$74,577
Debt Service	213,960
Unrestricted	<u>477,406</u>
<i>Total Net Assets</i>	<u><u>\$765,943</u></u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts	Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Current:				
General Library Services	\$922,515	\$21,209		(\$901,306)
Library Materials and Information	1,087,158	204,126		(883,032)
Business Administration	1,185,940			(1,185,940)
Library Support Services	2,227,019	14,521		(2,212,498)
Capital Outlay	294,297			(294,297)
Debt Service:				
Principal Retirement	200,000			(200,000)
Interest and Fiscal Charges	18,600			(18,600)
<i>Total Governmental Activities</i>	<u>\$5,935,529</u>	<u>\$239,856</u>		<u>(5,695,673)</u>
General Receipts				
Property Taxes Levied for General Purposes				2,025,289
Unrestricted Gifts and Contributions				25,604
Grants and Entitlements not Restricted to Specific Programs				3,553,249
Interest				17,653
Miscellaneous				6,848
<i>Total General Receipts</i>				5,628,643
			Special Item - Proceeds from Sale	105,900
			<i>Total General Receipts and Special</i>	<u>5,734,543</u>
			Change in Net Assets	38,870
			<i>Net Assets Beginning of Year</i>	<u>727,073</u>
			<i>Net Assets End of Year</i>	<u>\$765,943</u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Debt Service Fund	Building and Repair Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$454,160	\$213,960	\$74,577	\$742,697
Investments	23,246			23,246
<i>Total Assets</i>	<u>\$477,406</u>	<u>\$213,960</u>	<u>\$74,577</u>	<u>\$765,943</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$226,396			\$226,396
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	251,010			251,010
Debt Service Fund		213,960		213,960
Capital Projects Funds			74,577	74,577
<i>Total Fund Balances</i>	<u>\$477,406</u>	<u>\$213,960</u>	<u>\$74,577</u>	<u>\$765,943</u>

See accompanying notes to the basic financial statements

Geauga County Public Library

Geauga County

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2004

	General	Debt Service Fund	Building and Repair Fund	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,025,289	\$0	\$0	\$2,025,289
Intergovernmental	3,553,249			3,553,249
Patron Fines and Fees	225,335			225,335
Services Provided to Others	14,521			14,521
Contributions, Gifts and Donations	25,604			25,604
Earnings on Investments	17,653			17,653
Miscellaneous	6,848			6,848
<i>Total Receipts</i>	<u>5,868,499</u>	<u>0</u>	<u>0</u>	<u>5,868,499</u>
Disbursements				
Current:				
General Library Services	915,865		6,650	922,515
Library Materials and Information	1,087,158			1,087,158
Business Administration	1,185,940			1,185,940
Library Support Services	2,227,019			2,227,019
Capital Outlay	271,663		22,634	294,297
Debt Service:				
Principal Retirement		200,000		200,000
Interest and Fiscal Charges		18,600		18,600
<i>Total Disbursements</i>	<u>5,687,645</u>	<u>218,600</u>	<u>29,284</u>	<u>5,935,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>180,854</u>	<u>(218,600)</u>	<u>(29,284)</u>	<u>(67,030)</u>
Other Financing Sources (Uses)				
Transfers In		213,960	50,000	263,960
Transfers Out	(263,960)			(263,960)
<i>Total Other Financing Sources (Uses)</i>	<u>(263,960)</u>	<u>213,960</u>	<u>50,000</u>	<u>0</u>
Special Item				
Proceeds from Sale of Land	105,900			105,900
<i>Net Change in Fund Balances</i>	22,794	(4,640)	20,716	38,870
<i>Fund Balances Beginning of Year</i>	<u>454,612</u>	<u>218,600</u>	<u>53,861</u>	<u>727,073</u>
<i>Fund Balances End of Year</i>	<u>\$477,406</u>	<u>\$213,960</u>	<u>\$74,577</u>	<u>\$765,943</u>

See accompanying notes to the basic financial statements

Geauga County Public Library
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For Fiscal Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RECEIPTS				
Property and Other Local Taxes	\$1,985,174	\$1,985,174	\$2,025,289	\$40,115
Intergovernmental	3,555,015	3,555,015	3,553,249	(1,766)
Public Services and Programs	212,090	212,090	228,720	16,630
Business Administration	9,000	9,000	14,521	5,521
Unrestricted Gifts and Contributions	12,700	12,700	25,604	12,904
Earnings on Investments	10,810	10,810	17,653	6,843
Miscellaneous	8,000	8,000	3,463	(4,537)
<i>Total Receipts</i>	5,792,789	5,792,789	5,868,499	75,710
DISBURSEMENT				
General Library Services	1,146,499	991,520	978,556	12,964
Library Materials and Information	1,304,108	1,207,789	1,196,341	11,448
Business Administrative Services	1,216,063	1,196,703	1,185,940	10,763
Library Support Services	2,284,460	2,247,542	2,246,019	1,523
Capital Outlay	273,025	316,640	307,184	9,456
<i>Total Disbursement</i>	6,224,155	5,960,194	5,914,040	46,154
OTHER FINANCING SOURCES (USES)				
Sale of Property	0	0	105,900	105,900
Transfers Out	0	(263,960)	(263,960)	0
<i>Total Other Financing Sources (Uses)</i>	0	(263,960)	(158,060)	105,900
Net Change in Fund Balance	(431,365)	(431,365)	(203,601)	227,764
Fund Balance Beginning of Year	272,718	272,718	272,718	0
Prior Year Encumbrances Appropriated	181,893	181,893	181,893	0
Fund Balance End of Year	\$23,246	\$23,246	\$251,010	\$227,764

See accompanying notes to the basic financial statements

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Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 – Description of the Library and Reporting Entity

The Geauga County Public Library, Geauga County, Ohio, (the Library) was organized as a county district public library in 1963 under the laws of the State of Ohio. The Library system is actually comprised of six libraries, one bookmobile and an administrative center. Individual units are located at:

<i>Administration Center</i>	<i>12701 Ravenwood Drive</i>	<i>Chardon, OH 44024</i>
<i>Bainbridge Library</i>	<i>17222 Snyder Road</i>	<i>Chagrin Falls, OH 44023</i>
<i>Bookmobile</i>	<i>c/o 16167 East High St</i>	<i>Middlefield, OH 44062</i>
<i>Chardon Library</i>	<i>110 East Park Street</i>	<i>Chardon, OH 44024</i>
<i>Geauga West Library</i>	<i>13455 Chillicothe Road</i>	<i>Chesterland, OH 44026</i>
<i>Middlefield Library</i>	<i>16167 East High Street</i>	<i>Middlefield, OH 44062</i>
<i>Newbury Library Station</i>	<i>14775 Auburn Road</i>	<i>Newbury, OH 44065</i>
<i>Thompson Library Station</i>	<i>16700 Thompson Road</i>	<i>Thompson, OH 44086</i>

The Library has its own Board of Trustees of seven members, four of whom are appointed by the Geauga County Commissioners and three by the Judge of the County Common Pleas Court. 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 County Commissioners, although the Commissioners serve 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 Commissioners.

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.

Each Library and Bookmobile has Friends of the Library organization; there are a total of seven Friends groups. There is also a Geauga County Library Foundation. All groups are not for profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations are not included with the reporting entity of the Library. The Library exercises no financial control over any of these organizations. Treasurer's reports for each organization can be obtained through the respective Treasurers.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 1 – Description of the Library and Reporting Entity (continued)

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and investment balances, of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

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

Debt Service - The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness for the Administrative Offices.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements

C. Basis of Accounting

The Library's financial statements are prepared using the *modified* 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 *modified* cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) 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 sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

E. Cash and Cash Equivalents

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

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

During 2004, investments were limited to Stock.

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

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 disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Library's *modified* cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. 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.

M. 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 (*and undesignated if there are any designations*) fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column, rather than a column for each fund type. The Library has also implemented GASB Statement No. 40 "Deposit and investment Disclosures.

Note 4 – 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(s) between the budgetary basis and the *modified* cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis)

Note 5 – 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.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 5 - Deposits and Investments (continued)

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

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

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

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

At year end, the Library had \$765,943 as a total of fund balance of which \$23,246 was reflected as the original value of stock holdings. Undeposited cash on hand of \$545 is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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, \$629,851 of the Library's bank balance of \$829,851 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 5 - 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 be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Library's stock holding original value was \$23,246 and the value at December 31, 2004 was \$41,388. The Library has no investment policy for custodial risk beyond the requirements of State statute.

Note 6 – Library and Local Government Support and Property Taxes

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF), which is included in Intergovernmental. 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 a formula unique to Geauga County. The Budget Commission cannot reduce its allocation of these funds to the Library based on knowledge of any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Geauga County Public Library. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2004, was \$1.00 per \$1,000 (agriculture/residential effective rate .904763 and commercial industrial effective rate .941362) of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 6 – Library and Local Government Support and Property Taxes (continued)

Real Property	
Residential	\$ 1,809,107,690
Agricultural	226,949,190
Commercial/Industrial/Mineral	237,322,540
Tangible Personal Property	
Business	146,537,650
Public Utility	66,644,210
Total Assessed Value	<u>\$ 2,486,561,280</u>

Note 7 - 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 2004, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Utica Insurance	Commercial Property	\$ 7,683,347
	General Liability	3,000,000
	Commercial Crime	250,000
	Vehicle	1,000,000
Alvord Agency	Clerk/Treasurers Bond	40,000
Richmond and Richmond	Errors and Omissions	1,000,000
	Employee dishonesty	250,000
	Inland Marine	10,956,706

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.

Note 8 - Defined Benefit Pension Plan

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

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 8 - Defined Benefit Pension Plan (continued)

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 13.55 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, 2004, 2003, and 2002 were \$263,722, \$260,230 and \$259,328, respectively; the full amount has been contributed for 2004, 2003, and 2002. Contributions to the member-directed plan for 2004 were \$5,090 made by the Library and \$3,194 made by the plan members.

Note 9 - 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 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 6.30 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 \$110,459. 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.

Geauga County Public Library
Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004
(Continued)

Note 10 – Debt

In 1998, the County agreed to serve as the conduit for \$2,000,000 to pay for construction costs of the Administrative Center. At December 31, 2004, the Library's outstanding debt included \$1,000,000 in a refinancing agreement for the construction of the Library Administration Center.

Library Administrative Center Debt Summary

Year	Principal	Principal payment
2005	1,000,000	200,000
2006	800,000	200,000
2007	600,000	200,000
2008	400,000	200,000
2009	200,000	200,000

Note 11 – Leases

The Library leases postage meters under noncancelable leases. The Library disbursed \$23,946 to pay lease costs for the year ended December 31, 2004. Future lease payments are as follows:

Year	Amount
2005	\$4,200
2006	4,200
2007	4,200
2008	2,640
Total	<u>\$15,240</u>

Note 12 – Interfund Transfers

The general fund transferred \$263,960 debt service and building repair funds for the payment of debt and purchase and maintenance of various items throughout the Library.



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*

Geauga County Public Library
Geauga County
12701 Ravenwood Drive
Chardon, Ohio 44024

The Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund information of Geauga County Public Library, Geauga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 13, 2006, wherein we noted the Library adopted Government Accounting Standards Board No. 34 and Government Accounting Standards Board No. 40 for December 31, 2004. 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 to determine our auditing procedures in order 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.

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*.

Geauga County Public Library
Geauga 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 audit committee, management, and the 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

November 13, 2006



**Auditor of State
Betty Montgomery**

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GEAUGA COUNTY PUBLIC LIBRARY

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2006**