

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Loudonville Public Library
122 E. Main St.
Loudonville, OH 44842

We have reviewed the *Independent Accountants' Report* of the Loudonville Public Library, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Loudonville Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 21, 2006

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**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Loudonville Public Library
Ashland County
122 East Main Street
Loudonville, Ohio 44842

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudonville Public Library, Ashland County, Ohio, (the Library) as of and for the years ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudonville Public Library, Ashland County, as of December 31, 2004 and 2003, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2004 and 2003, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* on another comprehensive basis of accounting.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 20, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

KNOX & KNOX

Orrville, Ohio
December 20, 2005

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

The discussion and analysis of the Loudonville Public Library's financial performance provides an overview of the Library's financial activities for the years ended December 31, 2004 and 2003, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole.

Financial Highlights

Key financial highlights for 2004:

Net assets increased \$53,982 in 2004.

General Receipts accounted for \$697,514 or over 93 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$49,576 or over 6 percent of total receipts.

The Library had \$693,108 in disbursements relating to governmental activities; only \$49,576 of these expenses were offset by program specific charges for services, operating grants or contributions.

The Library received a bequest in the amount of \$5,000.00 for publishing a newsletter and a grant of \$18,000.00 for the purchase of library materials and equipment.

Key financial highlights for 2003:

Net assets increased \$80,848 in 2003.

General Receipts accounted for \$728,468 or over 94 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$41,438 or over 5 percent of total receipts.

The Library had \$689,057 in disbursements relating to governmental activities; only \$41,438 of these expenses were offset by program specific charges for services, operating grants or contributions.

The Library received a grant in the amount of \$16,000.00 for the purchase of library materials and equipment.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Loudonville Public Library's financial position.

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis provide information about the activities of the Library as a whole. Governmental Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Governmental Fund financial statements report the Library's most significant funds individually and the Library's non-major funds in a single column. The Library's major funds are the General Fund, Building & Repair Fund and the Permanent Improvement Fund.

Reporting the Library as a Whole

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Library did financially during 2004 and 2003. These two statements report the Library's net assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the Library as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include, but certainly not limited to, the overall condition of the Library's capital assets (land, buildings, equipment, etc.) and personnel turnover. These factors must be considered when assessing the overall health of the Library.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including general public services, purchases and contracted services, library materials and information, capital outlay and debt service. These services are primarily funded by intergovernmental receipts.

Reporting the Library's Governmental Financial Statements

Governmental Financial Statements

The governmental funds financial statements provide detailed information about the Library's major funds, the General Fund, Building & Repair Fund and Permanent Improvement. While the Library uses many funds to account for its financial transactions, these are the most significant.

The Library's activities are reported in the governmental financial statements, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported on a modified cash basis of accounting. The governmental financial statements provide a short-term view of the Library's general government operations and the basic services being provided. Government financial statements help the user to determine whether there are more or fewer financial resources that can be spent in the future to finance library programs.

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003 and 2003 as compared to 2002.

Table 1
Net Assets – Cash Basis

	Governmental Activities		
	2004	2003	2002
Assets			
Equity in Pooled Cash And Cash Equivalents	\$128,299	\$130,262	\$107,129
Investments	<u>443,568</u>	<u>387,623</u>	<u>329,908</u>
Total Assets	<u>\$571,867</u>	<u>\$517,885</u>	<u>\$437,037</u>
 Net Assets			
Restricted	\$227,739	\$226,379	\$249,341
Unrestricted	<u>344,128</u>	<u>291,506</u>	<u>187,696</u>
	<u>\$571,867</u>	<u>\$517,885</u>	<u>\$437,037</u>

In 2004, total assets increased \$53,982 or approximately 10 percent. This increase can be attributed to several factors. The major factor is a reduction in capital expenditures. Although the actual building was completed in 2001, the new parking lot was not completed until late 2003, new furniture and equipment and other capital items continued to be purchased after the 2001 completion date. However, capital expenditures continued to decrease since the completion of the new building in 2001 and were the lowest in 2004. In addition, Contributions, Gifts and Donations increased almost \$10,000.00 or approximately 43% from the prior year.

Total assets, during 2003, increased \$80,849 or approximately 18.50 percent. One factor attributing to this increase is the result of a principal reduction payment made in late 2003. The principal reduction payment and subsequent loan re-amortization, reduced the required principal and interest quarterly payments in excess of \$35,000.00 per year. The vacancy of a major management position in February 2003 which wasn't permanently filled until July 2004 is another factor, in addition to other directly and indirectly related issues.

Table 2 shows the changes in net assets for the years ended December 31, 2004 and December 31, 2003.

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Receipts:			
Program Cash Receipts			
Charges for Services	\$ 18,282	\$ 19,539	\$ 19,678
Operating Grants & Contributions	<u>31,294</u>	<u>21,899</u>	<u>48,069</u>
Total Program Cash Receipts	\$ 49,576	\$ 41,438	\$ 67,747
General Receipts			
Government Grants-in-Aid, LLGSF	\$689,989	\$713,717	\$692,941
Property and Other Local Taxes	1,477	1,175	2,713
Interest	4,738	4,417	11,719
Miscellaneous Receipts	<u>1,310</u>	<u>9,159</u>	<u>10,339</u>
Total General Receipts	<u>697,514</u>	<u>728,468</u>	<u>717,712</u>
Total Receipts	\$747,090	\$769,906	\$785,459
Disbursements:			
Public Services			
General Public Services	\$405,513	\$373,347	\$383,084
Purchased & Contracted Services	135,183	121,848	99,417
Library Materials & Information	78,570	79,092	88,147
Capital Outlay	18,405	59,334	69,187
Debt Service	<u>55,437</u>	<u>55,436</u>	<u>390,641</u>
Total Disbursements	\$693,108	\$689,057	\$1,030,476
Change in Net Assets	<u>\$ 53,982</u>	<u>\$ 80,849</u>	<u>\$ (245,017)</u>

In 2004, general receipts represented over 93 percent of the Library's overall receipts, in 2003 general receipts represented almost 95 percent of the Library's total receipts. Of general receipts in both 2004 and 2003 these were made up almost entirely by the Library and Local Government Support Fund monies. Since these revenues are provided by the State, it can be seen how any decreases in this funding source have a substantial impact on the services the Library can provide.

Total Disbursements have been fairly flat with only less than .5 percent increase in disbursements in 2004 from 2003. This can be attributed to the uncertainty in the State Budget, the Board's conservative approach in spending in reaction to the State Budget, and the completion of the building project.

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by unrestricted government grants-in-aid, LLGSF.

Table 3
Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Public Services		
General Public Services	\$405,513	\$374,137
Purchased & Contracted Services	135,183	135,183
Library Materials & Information	78,570	63,570
Capital Outlay	18,405	15,152
Debt Service	<u>55,437</u>	<u>55,437</u>
Total Disbursements	<u>\$693,108</u>	<u>\$643,479</u>

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Public Services		
General Public Services	\$ 373,347	\$320,109
Purchased & Contracted Services	121,848	121,848
Library Materials & Information	79,092	69,092
Capital Outlay	59,334	53,110
Debt Service	<u>55,436</u>	<u>55,436</u>
Total Disbursements	<u>\$689,057</u>	<u>\$619,595</u>

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

	<u>Total Cost of Services 2002</u>	<u>Net Cost of Services 2002</u>
Public Services		
General Public Services	\$ 383,084	\$342,670
Purchased & Contracted Services	99,417	96,417
Library Materials & Information	88,148	68,148
Capital Outlay	69,187	64,706
Debt Service	<u>390,641</u>	<u>390,641</u>
<i>Total Disbursements</i>	<u>\$1,030,477</u>	<u>\$962,582</u>

Governmental Fund Financial Statements

The Library's governmental fund financial statements are accounted for using the cash basis of accounting. The Library's major governmental funds are the General Fund, the Building and Repair Fund and the Permanent Improvement Fund. A review of these funds reflects the General Fund balance increased \$52,622, while the Building and Repair Fund decreased slightly by \$747 and the Permanent Improvement Fund had no transactions for 2004. The relatively small change in Building and Repair Fund reflects the Library's reliance upon the General Fund and its primary funding source from the State's fairly stagnant Library and Local Government Support Fund (LLGSF) and the Board's increasing reliance on those funds.

In comparison to 2003, the General Fund balance increased \$103,810 and Building and Repair Fund reflected a decrease of \$15,361. The Permanent Improvement Fund once again reflects no activity from its original transfer of \$175,000.00 from the General Fund in 2002. The change in the Building and Repair Fund reflects the lack of on-going donations and revenues, since the building project was completed in 2001 and the increase in disbursements from this fund due to the fairly stagnant LLGSF fund and the Board's increasing reliance on the General Fund.

Budgetary Highlights

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

During the course of both 2004 and 2003, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

Loudonville Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Current Issues

Funding from the State of Ohio for the Library and Local Government Support Fund has been stagnant in 2004 and 2003 and will continue to be flat for the first half of 2005. In 2004, the Library evaluated its hours of operations. In an effort to maximize its limited resources and provide the best possible services to the public, the Library began closing 2 hours earlier on Friday evenings.

The Library will be challenged to continue to maintain the current level of services and programs due to fairly stagnant receipts and ordinary inflation. The Board and Library administration must maintain careful financial planning and prudent fiscal management in order to provide services needed and balance the budget annually.

Request for Information

This financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Susan L. Burwell, Clerk-Treasurer, 122 East Main, Loudonville, OH 44842.

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Loudonville Public Library, Ashland County

Statement of Net Assets – Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$128,299
Investments	<u>443,568</u>
<i>Total Assets</i>	<u><u>\$571,867</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$199,338
Debt Service	
Permanent Fund Purpose	
Expendable	20,799
Nonexpendable	7,602
Other Purposes	
Unrestricted	<u>344,128</u>
<i>Total Net Assets</i>	<u><u>\$571,867</u></u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Activities – Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements Receipts and Changes in Net Assets)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities					
Public Services:					
General Public Service and Programs	\$405,513	\$18,282	\$13,094	\$	(\$374,137)
Purchased and Contracted Services	135,183				(135,183)
Library Materials and Information	78,570		15,000		(63,570)
Capital Outlay	18,405		3,000	253	(15,152)
Debt Service:					
Principal Retirement	30,820				(30,820)
Interest and Fiscal Charges	<u>24,617</u>				<u>(24,617)</u>
Total Governmental Activities	<u>\$693,108</u>	<u>\$18,282</u>	<u>\$31,094</u>	<u>\$ 253</u>	<u>(\$643,479)</u>

General Receipts

Government Grants In Aid – LLGSF	\$689,989
Property and Other Local Taxes	1,477
Earnings on Investments	4,738
Miscellaneous	<u>1,257</u>

Total General Receipts \$697,461

Total General Receipts, Special Item,
Transfers and Advances 697,461

Change in Net Assets 53,982

Net Assets Beginning of Year 517,885

Net Assets End of Year \$571,867

See Accompanying notes to the basic financial statements

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

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 75,560	\$24,338	\$	\$28,401	\$128,299
Investments	<u>268,568</u>	-----	<u>175,000</u>	-----	<u>443,568</u>
<i>Total Assets</i>	<u>\$344,128</u>	<u>\$24,338</u>	<u>\$175,000</u>	<u>\$28,401</u>	<u>\$571,867</u>
 Fund Balances					
Reserved:					
Reserved for Encumbrances	\$284,709	\$	\$	\$ 304	\$285,013
Reserved for (permanent fund purpose)					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	59,419				59,419
Special Revenue Funds				28,097	28,097
Debt Service Fund					
Capital Projects Funds	-----	<u>24,338</u>	<u>175,000</u>	-----	<u>199,338</u>
<i>Total Fund Balances</i>	<u>\$344,128</u>	<u>\$24,338</u>	<u>\$175,000</u>	<u>\$28,401</u>	<u>\$571,867</u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Cash Receipts, Disbursements and Changes In Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Property and Other Local Taxes	\$ 1,477	\$	\$	\$	\$ 1,477
Intergovernmental	689,989				689,989
Patron Fines and Fees	18,025				18,025
Services Provided to Other Entities	257				257
Services Provided to Others					
Contributions, Gifts and Donations	13,094	200		18,000	31,294
Earnings on Investments	4,738				4,738
Miscellaneous	<u>1,257</u>	<u>53</u>	<u> </u>	<u> </u>	<u>1,310</u>
<i>Total Receipts</i>	<u>728,837</u>	<u>253</u>	<u> </u>	<u> </u>	<u>747,090</u>
Disbursements					
Current:					
Public Services:					
General Public Service and Programs	405,513				405,513
Purchased and Contracted Services	135,183				135,183
Library Materials and Information	64,312			14,258	78,570
Capital Outlay	15,770	1,000		1,635	18,405
Debt Service:					
Principal Retirement	30,820				30,820
Interest and Fiscal Charges	<u>24,617</u>	<u> </u>	<u> </u>	<u> </u>	<u>24,617</u>
<i>Total Disbursements</i>	<u>676,215</u>	<u>1,000</u>	<u> </u>	<u>15,893</u>	<u>693,108</u>
<i>Excess of Receipts Over(Under)</i> <i>Disbursements</i>	52,622	(747)		2,107	53,982
<i>Fund Balances Beginning of Year</i>	<u>291,506</u>	<u>25,085</u>	<u>175,000</u>	<u>26,294</u>	<u>517,885</u>
<i>Fund Balances End of Year</i>	<u>\$344,128</u>	<u>\$24,338</u>	<u>\$175,000</u>	<u>\$28,401</u>	<u>\$571,867</u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Receipts, Disbursements and Changes
In Fund Balance – Budget and Actual – Budget Basis
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$	\$	\$ 1,478	\$ 1,478
Intergovernmental	671,568	671,568	689,988	18,420
Patron Fines and Fees	10,000	10,000	18,025	8,025
Services Provided to Other Entities	300	300	257	(43)
Contributions, Gifts and Donations	1,000	1,000	13,094	12,094
Earnings on Investments	2,500	2,500	4,738	2,238
Miscellaneous	<u>50</u>	<u>50</u>	<u>1,257</u>	<u>1,207</u>
<i>Total Receipts</i>	<u>685,418</u>	<u>685,418</u>	<u>728,837</u>	<u>43,419</u>
Disbursements				
Current:				
Library Services:				
General Public Services and Programs	423,700	398,100	405,513	(7,413)
Purchased and Contracted Services	132,700	133,450	135,183	(1,733)
Library & Materials Information	71,050	70,500	64,312	6,188
Capital Outlay	8,000	9,900	15,770	(5,870)
Debt Service:				
Redemption of Principal	30,850	107,775	30,820	76,955
Interest	<u>24,650</u>	<u>24,225</u>	<u>24,617</u>	<u>(392)</u>
<i>Total Disbursements</i>	<u>690,950</u>	<u>743,950</u>	<u>676,215</u>	<u>67,735</u>
<i>Excess of Receipts Over(Under)</i> <i>Disbursements</i>	(5,532)	(58,532)	52,622	111,154
Other Financing Sources (Uses)				
Transfers Out	(53,044)	(44)		(44)
<i>Total Other Financing Sources (Uses)</i>	<u>(53,044)</u>	<u>(44)</u>	<u></u>	<u>44</u>
<i>Net Change in Fund Balance</i>	(58,576)	(58,576)	52,622	111,198
<i>Fund Balance Beginning of Year</i>	<u>291,506</u>	<u>291,506</u>	<u>291,506</u>	<u></u>
<i>Fund Balance End of Year</i>	<u>\$232,930</u>	<u>\$232,930</u>	<u>\$344,128</u>	<u>\$111,198</u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Net Assets – Cash Basis
December 31, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$130,262
Investments	<u>387,623</u>
<i>Total Assets</i>	<u><u>\$517,885</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$200,085
Debt Service	
Permanent Fund Purpose	
Expendable	18,692
Nonexpendable	7,602
Other Purposes	
Unrestricted	<u>291,506</u>
<i>Total Net Assets</i>	<u><u>\$517,885</u></u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Activities – Cash Basis
For the Year Ended December 31, 2003

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities					
Public Services:					
General Public Service and Programs	\$373,347	\$19,539	\$33,699	\$	(\$320,109)
Purchased and Contracted Services	121,848				(121,848)
Library Materials and Information	79,092		10,000		(69,092)
Capital Outlay	59,334		6,000	224	(53,110)
Debt Service:					
Principal Retirement	28,208				(28,208)
Interest and Fiscal Charges	<u>27,228</u>				<u>(27,228)</u>
<i>Total Governmental Activities</i>	<u>\$689,057</u>	<u>\$19,539</u>	<u>\$49,699</u>	<u>\$ 224</u>	<u>(\$619,595)</u>

General Receipts

Government Grants In Aid – LLGSF	\$685,717
Property and Other Local Taxes	1,175
Earnings on Investments	4,417
Miscellaneous	<u>9,135</u>

Total General Receipts \$700,444

Total General Receipts, Special Item, Transfers and Advances 700,444

Change in Net Assets 80,849

Net Assets Beginning of Year 437,036

Net Assets End of Year \$517,885

See Accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2003

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 78,883	\$25,085	\$	\$26,294	\$130,262
Investments	<u>212,623</u>	-----	<u>175,000</u>	-----	<u>387,623</u>
<i>Total Assets</i>	<u>\$291,506</u>	<u>\$25,085</u>	<u>\$175,000</u>	<u>\$26,294</u>	<u>\$517,885</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$232,930	\$13,635	\$	\$ 805	\$247,370
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	58,576				58,576
Special Revenue Funds				25,489	25,489
Debt Service Fund					
Capital Projects Funds	-----	<u>11,450</u>	<u>175,000</u>	-----	<u>186,450</u>
<i>Total Fund Balances</i>	<u>\$291,506</u>	<u>\$25,085</u>	<u>\$175,000</u>	<u>\$26,294</u>	<u>\$517,885</u>

See Accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Property and Other Local Taxes	\$ 1,175	\$	\$	\$	\$ 1,175
Intergovernmental	713,717				713,717
Patron Fines and Fees	19,266				19,266
Services Provided to Other Entities	273				273
Contributions, Gifts and Donations	5,699	200		16,000	21,899
Earnings on Investments	4,417				4,417
Miscellaneous	<u>9,135</u>	<u>24</u>	-----	-----	<u>9,159</u>
Total Receipts	<u>753,682</u>	<u>224</u>	-----	<u>16,000</u>	<u>769,906</u>
Disbursements					
Current:					
Public Services:					
General Public Service and Programs	373,347				373,347
Purchased and Contracted Services	121,848				121,848
Library Materials and Information	62,857			16,235	79,092
Capital Outlay	36,384	15,585		7,365	59,334
Debt Service:					
Principal Retirement	28,208				28,208
Interest and Fiscal Charges	<u>27,228</u>	-----	-----	-----	<u>27,228</u>
Total Disbursements	<u>649,872</u>	<u>15,585</u>	-----	<u>23,600</u>	<u>689,057</u>
Net Change in Fund Balances	103,810	(15,361)		(7,600)	80,849
Fund Balances Beginning of Year	<u>187,696</u>	<u>40,446</u>	<u>175,000</u>	<u>33,894</u>	<u>437,036</u>
Fund Balances End of Year	<u>\$291,506</u>	<u>\$25,085</u>	<u>\$175,000</u>	<u>\$26,294</u>	<u>\$517,885</u>

See accompanying notes to the basic financial statements

Loudonville Public Library, Ashland County
Statement of Receipts, Disbursements and Changes
In Fund Balance – Budget and Actual – Budget Basis
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$	\$	\$ 1,174	\$ 1,174
Intergovernmental	725,545	696,139	713,718	17,579
Patron Fines and Fees	10,000	10,800	19,266	8,466
Services Provided to Other Entities	150	150	273	123
Contributions, Gifts and Donations	1,000	1,000	5,699	4,699
Earnings on Investments	5,000	5,000	4,417	(583)
Miscellaneous	<u>50</u>	<u>50</u>	<u>9,135</u>	<u>9,085</u>
<i>Total Receipts</i>	<u>741,745</u>	<u>713,139</u>	<u>753,682</u>	<u>40,543</u>
Disbursements				
Current:				
Library Services:				
General Public Services and Programs	407,800	380,530	373,347	7,183
Purchased and Contracted Services	121,100	139,661	121,848	17,813
Library & Materials Information	58,715	58,715	62,857	<4,142>
Capital Outlay	32,500	44,350	36,384	7,967
Debt Service:				
Redemption of Principal	29,000	214,000	28,208	185,792
Interest	<u>28,000</u>	<u>28,000</u>	<u>27,229</u>	<u>771</u>
<i>Total Disbursements</i>	<u>677,115</u>	<u>865,256</u>	<u>649,872</u>	<u>215,384</u>
<i>Excess of Receipts Over(Under)</i> <i>Disbursements</i>	<u>64,630</u>	<u>(152,117)</u>	<u>103,810</u>	<u>255,927</u>
Other Financing Sources (Uses)				
Transfers Out	(200,548)			
<i>Total Other Financing Sources (Uses)</i>	<u>(200,548)</u>			
<i>Net Change in Fund Balance</i>	(135,918)	(152,117)	103,810	255,927
<i>Fund Balance Beginning of Year</i>	<u>187,696</u>	<u>187,696</u>	<u>187,696</u>	<u>-----</u>
<i>Fund Balance End of Year</i>	<u>\$ 51,778</u>	<u>\$ 35,579</u>	<u>\$291,506</u>	<u>\$255,927</u>

See accompanying notes to the basic financial statements

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Description of the Entity

Loudonville Public Library, Ashland County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the local board of Education. The Library provides the community with various educational and literary resources.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Loudonville Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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.

Permanent Improvement Fund - The permanent improvement fund accounts for monies used for lasting improvements to the Library's facilities.

C. Basis of Accounting

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the major category of the object code level for all funds. The Clerk/Treasurer maintains budgetary information at the fund and object levels. Budgetary modifications beyond the major category of the object code level may only be made by resolution of the Board of Library Trustees.

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

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

E. Cash and Cash Equivalents

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

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

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

During 2004, investments were limited to STAR Ohio and other securities.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$4,738. Interest revenue credited to the general fund during 2003 amounted to \$4,417.

F. Accumulated Leave

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

G. 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.

H. Net Assets

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

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/ uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end 2004 (budgetary basis) amounted to \$255,013 for the general fund. The encumbrances outstanding at year end 2003 (budgetary basis) amounted to \$247,370.

4. DEPOSITS AND INVESTMENTS

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

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

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

4. 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 may be deposited or invested in the following securities:

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

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

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At December 31, 2003 and 2004, respectively, the carrying amount of the Library's deposits were \$128,299 and \$89,035 and the bank balances were \$145,426 and \$93,108. Of the bank balances, \$104,164 and \$93,108 were covered by federal depository insurance and the remaining amounts were covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The carrying amount of investments of cash and investments at December 31 follows:

	2004	2003
Demand Deposits	\$128,299	\$ 89,035
STAR Ohio	224,215	221,382
Securities (Category 2)	219,353	207,468
	\$571,867	\$517,885

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Purchase Agreement – Construction and Renovation Project	\$413,389	5.7%

On July 15, 1999, the Library entered into a \$1,418,500 lease purchase agreement with Farmers and Savings Bank for the construction of a 16,000 square foot addition to the Library and a retrofit of the current Library structure. The end date of the agreement is July 15, 2014.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>General Obligation Notes</u>
Year ending December 31:	
2005	\$ 55,437
2006	55,437
2007	55,437
2008	55,437
2009	55,437
2010 and beyond	<u>263,325</u>
Total	\$540,510

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

6. RISK MANAGEMENT (Continued)

The Library also provides health insurance to full-time employees through a private carrier.

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.

7. LIBRARY AND LOCAL GOVERNMENT SUPPORT FUND

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

8. DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of OPERS contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

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.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

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

9. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$20,448. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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KNOX & KNOX

Accountants and Consultants

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

Loudonville Public Library
Ashland County
122 East Main Street
Loudonville, OH 44842

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Loudonville Public Library, Ashland County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 20, 2005 wherein we noted that the Library uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated December 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

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

Knox & Knox

Orrville, Ohio
December 20, 2005



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND 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
MARCH 07, 2006**