



**Auditor of State  
Betty Montgomery**



**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

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**Auditor of State  
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**INDEPENDENT ACCOUNTANTS' REPORT**

Wornstaff Memorial Public Library  
Delaware County  
302 East High Street  
Ashley, Ohio 43003

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and major fund of the Wornstaff Memorial Public Library, Delaware County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the 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 basis financial position of the governmental activities and major fund of the Wornstaff Memorial Public Library, Delaware County, Ohio, as of December 31, 2005, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 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.



**Betty Montgomery**  
Auditor of State

August 15, 2006

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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This discussion and analysis of the Wornstaff Memorial 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 at December 31, 2005 increased \$2,629.

The Library's general receipts are primarily State Library and Local Grant Support Fund (LLGSF). These receipts represent respectively \$155,598 of the total cash received for governmental activities during the year. There were no property and income tax receipts for 2005.

There were no out of the ordinary issues for the Library during 2005.

**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 Library only has the General Fund. There were no special revenue funds during 2005.

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

**Basis of Accounting**

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

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to help 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. The Library's only major source of revenue is from the Library and Local Government Support. This revenue is received once a month. The county auditor determines the amount that will be received for the year and that amount appears on the First Amended Certificate of Estimated Resources.

The Library's main activity is to provide books, video, etc. free of charge. There are also programs that are provided free of charge. The Library does not charge fines for overdue borrowed items. All fines for overdue items are voluntary (donation). A fee is charged for the use of the copier, fax machine and copies from the internet. A fee is charges for lost borrowed items, based on their original cost.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds—not the Library as a whole. The governmental fund financial statements provide a detailed view of the Library.

The Library's only major governmental fund is the General Fund. All of the Library's activity is reported in the General Fund. During 2005 there were no special revenue funds.

The Library charges nominal fees for the use of the copier, fax machine and for internet copies. These revenues are presented in the General Fund.

**The Library as a Whole**

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



**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and Cash Equiva	57,378	61,543
Investments	173,288	166,494
Total Assets	<u>230,666</u>	<u>228,037</u>
 <b>Net Assets</b>		
Unrestricted	<u>230,666</u>	<u>228,037</u>
Total Net Assets	<u>\$230,666</u>	<u>\$228,037</u>

As mentioned previously, net assets of governmental activities increased \$2,624 during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Purchases of furniture and equipment decreased in 2005.
- Interest rates increased in 2005.

Table 2 reflects the changes in net assets in 2005.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,866	\$1,756
Total Program Receipts	<u>1,866</u>	<u>1,756</u>
General Receipts:		
Unrestricted Grants and Entitlements	155,598	155,344
Sale of Capital Assets	301	186
Unrestricted Contributions, Gifts & Donations	3,234	101,470
Interest	5,575	2,058
Miscellaneous	11	100
Total General Receipts	<u>164,719</u>	<u>259,158</u>
Total Receipts	<u>166,585</u>	<u>260,914</u>
Disbursements:		
Library Services	163,112	154,749
Capital Outlay	844	7,307
Total Disbursements	<u>163,956</u>	<u>162,056</u>
Increase (Decrease) in Net Assets	2,629	98,858
Net Assets, January 1	<u>228,037</u>	<u>129,179</u>
Net Assets, December 31	<u>\$230,666</u>	<u>\$228,037</u>

Program receipts represent only revenue of fees for services such as the copier, fax machine and interest copies. There were also contributions/donations for restricted purposes.

General receipts represent the main source of revenue for the Library. The receipt is called Local and Library Government Support (LLGSF). This amount is received by the county auditor once a month

Disbursements for the Library represent the overhead costs of running the Library and the support services provided by the Library. These include the costs of utilities, repairs and maintenance to the facilities/equipment, wages, purchases of library books, periodicals and audio visual. There are also expenditures to provide programs to the public.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for the governmental activities are to provide a service of loaning library materials. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
Library Services	\$163,112	\$161,246	\$ 154,749	\$ 152,993
Capital Outlay	844	844	7,307	7,307
<b>Total</b>	<b>\$163,956</b>	<b>\$162,090</b>	<b>\$ 162,056</b>	<b>\$ 160,300</b>

The dependence upon the local and library government support fund is apparent as the majority of the Library's activities are supported through the Library Support Revenue.

**The Library's Funds**

Total governmental funds had receipts of \$166,284 and disbursements of \$163,956. There was also Other Financing Sources (Sale of Capital Assets) for \$301. This resulted in a net change in fund balance of \$2,624 for 2005.

General Fund receipts were more than disbursements by \$2,624 indicating that the General Fund is not in a deficit spending situation. The Board of Trustees and the staff of the Wornstaff Memorial Public Library operate in a conservative nature.

**General Fund Budgeting Highlights**

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

During 2005, the Library amended its General Fund budget two times to reflect changing circumstances. Once was in early January to reflect the year-end balances of 2004 and once very late in 2005 to reflect the local government support revenue received was below the estimate from the county auditor. Appropriations for the Library were never over the estimated or actual receipts.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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Final disbursements were budgeted at \$343,539 while actual disbursements were \$166,143. Funds were available and were appropriated by the Board for anticipated capital outlay for major building renovations and repairs. These renovations and repairs did not occur in 2005, thus the large positive variance with the final budget. Total appropriations were never over the estimated or actual receipts.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the local and library government support fund (LLGSF). The Wornstaff Memorial Public Library serves northern Delaware County, the Buckeye Valley School District and southern Morrow County. Currently there is not a local tax levy and there never has been. Our financial forecast predicts a deficit for 2007; this will be as a result of major renovations/repairs to the building to correct drainage problems the building is encountering. Although there will be a deficit for 2007, the renovation/repair costs will come from the monies received from the Juanita Newman Estate in 2004.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Wornstaff Memorial Public 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 Linda L. Thomas, Clerk-Treasurer, Wornstaff Memorial Public Library, 302 E. High Street, P. O. Box 358, Ashley, OH 43003.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$57,378
Investments	<u>\$173,288</u>
<i>Total Assets</i>	<u><u>\$230,666</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$230,666</u>
<i>Total Net Assets</i>	<u><u>\$230,666</u></u>

See accompanying notes to the basic financial statements

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE 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	Governmental Activities
<b>Governmental Activities</b>		
Library Services	\$163,112	(161,246)
Capital Outlay	844	(844)
<b>Total Governmental Activities</b>	<b>163,956</b>	<b>(162,090)</b>
<b>General Receipts</b>		
Unrestricted Gifts and Contributions		3,234
Grants and Entitlements - unrestricted		155,598
Sale of Capital Assets		301
Earnings on Investments		5,575
Miscellaneous		11
<b>Total General Receipts</b>		<b>164,719</b>
Change in Net Assets		2,629
<i>Net Assets Beginning of Year</i>		<i>228,037</i>
<i>Net Assets End of Year</i>		<i>230,666</i>

See accompanying notes to the basic financial statements

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCE  
GOVERNMENTAL FUND  
DECEMBER 31, 2005**

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$57,378
Investments	<u>173,288</u>
<i>Total Assets</i>	<u><u>\$230,666</u></u>
<b>Fund Balance</b>	
Reserved:	
Reserved for Encumbrances	\$2,187
Unreserved:	
General Fund	<u>228,479</u>
<i>Total Fund Balance</i>	<u><u>\$230,666</u></u>

See the accompanying notes to the basic financial statements

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General
<b>Receipts</b>	
Intergovernmental	\$155,598
Patron Fines and Fees	1,766
Contributions, Gifts and Donations	3,234
Earnings on Investments	5,575
Miscellaneous	111
<i>Total Cash Receipts</i>	166,284
<b>Disbursements</b>	
Library Services:	
Public Service and Programs	163,112
Capital Outlay	844
<i>Total Cash Disbursements</i>	163,956
<i>Excess Receipts Over Disbursements</i>	2,328
<b>Other Financing Sources (Uses)</b>	
Sales of Capital Assets	301
<i>Total Other Financing Sources (Uses)</i>	301
<i>Net Change in Fund Balance</i>	2,624
<i>Fund Balance Beginning of Year</i>	228,037
<i>Fund Balance End of Year</i>	\$230,666

See accompanying notes to the basic financial statements.



**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$164,061	\$155,598	\$155,598	\$0
Patron Fines and Fees	1,400	1,683	1,766	83
Contributions, Gifts and Donations	100	3,230	3,234	4
Earnings on Investments	1,470	5,457	5,575	118
Miscellaneous	100	100	111	111
<i>Total receipts</i>	<u>167,131</u>	<u>166,068</u>	<u>166,284</u>	<u>316</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	217,700	221,664	165,299	56,365
Capital Outlay	122,300	121,875	844	121,031
<i>Total Disbursements</i>	<u>340,000</u>	<u>343,539</u>	<u>166,143</u>	<u>0</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>(172,869)</u>	<u>(177,471)</u>	<u>141</u>	<u>(177,612)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	100	300	301	1
<i>Total Other Financing Sources (Uses)</i>	<u>100</u>	<u>300</u>	<u>301</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	<u>(172,769)</u>	<u>(177,171)</u>	<u>442</u>	<u>(177,611)</u>
<i>Fund Balance Beginning of Year</i>	224,498	224,498	224,498	0
Prior Year Encumbrances Appropriated	3,539	3,539	3,539	0
<i>Fund Balance End of Year</i>	<u>\$55,268</u>	<u>\$50,866</u>	<u>\$228,479</u>	<u>\$177,613</u>

See the accompanying notes to the basic financial statements

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**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Note 1 – Description of the Library and Reporting Entity**

The Wornstaff Memorial Public Library was organized as a public library in Ohio under the laws of the State of Ohio. The Library has its own Board of Trustees of five members who are appointed by the Library Board of Trustees. Appointments are continual 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 Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio Public Libraries.

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. Wornstaff Memorial Public Library does not have any component units.

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 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.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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 intergovernmental receipts and other nonexchange transactions.

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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function 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 the major fund. The 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 fund is classified as governmental.

**Governmental Funds**

Governmental funds are financed primarily from 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 is the Library's only fund

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.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

**D. Budgetary Process**

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

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

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

**E. Cash and Cash Equivalents**

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

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

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 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 sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General fund during 2005 amounted to \$5,575.

**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 did not have any restricted assets.

**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. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. 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.

**K. 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.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**L. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library has no restricted net assets.

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.

**N. Fund Balance Reserves**

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

**Note 3 – Change in Basis of Accounting**

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 with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**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 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) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,187.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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.

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.



**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 5 - Deposits and Investments (Continued)**

At year end, the Library had no undeposited cash on hand which had to be included as part of "Equity in Pooled Cash and Cash Equivalents".

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, the Library's bank balance of \$71,138 was covered by federal depository insurance. Throughout the year the Library's deposits above \$100,000 was exposed to custodial credit risk because those deposits were collateralized with securities pooled and held by the pledging financial institution.

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 or 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

As of December 31, 2005, the Library had the following investments:

	<u>Fair Value</u>
STAR Ohio	173,288

The Library's investment in STAR Ohio has a maturity value of less than one year.

Credit risk for investments is the risk that, in the event of failure of the counterpart to a transaction, the Library will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Library's does not have an investment policy to address this risk. The Library has placed 100% of their investment at year end in STAR Ohio.

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

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 6 - Risk Management (Continued)**

<u>Company</u>	<u>Type of Coverage</u>
Westfield Insurance Co.	Commercial Property General Liability Commercial Crime Inland Marine Vehicle
France & Associates	Errors and Omissions
Smith-Feike-Minton	Library Officials Fidelity and Deposit

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

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

**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.

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 9.55 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 \$20,731, \$20,477, and \$19,986 respectively; the full amount has been contributed for 2005, 2004, and 2003.

**WORNSTAFF MEMORIAL PUBLIC LIBRARY  
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from 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 \$147,863. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value 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. Member and employer rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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## Auditor of State Betty Montgomery

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

Wornstaff Memorial Public Library  
Delaware County  
302 East High Street  
Ashley, Ohio 43003

To the Board of Trustees:

We have audited the financial statements of the governmental activities and major fund of the Wornstaff Memorial Public Library, Delaware County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 15, 2006 wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 basic 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 basic 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*.

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Wornstaff Memorial Public Library  
Delaware 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

August 15, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**WORNSTAFF MEMORIAL PUBLIC LIBRARY**

**DELAWARE 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  
SEPTEMBER 26, 2006**