

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY
SUMMIT COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Akron-Summit County Public Library
60 S. High Street
Akron, Ohio 44326-0002

We have reviewed the *Independent Auditor's Report* of the Akron-Summit County Public Library, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Akron-Summit County Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

MARY TAYLOR, CPA
Auditor of State

March 9, 2007

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**AKRON-SUMMIT COUNTY PUBLIC LIBRARY, OHIO
SUMMIT COUNTY
FOR THE YEAR ENDED
DECEMBER 31, 2005**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Akron-Summit County Public Library
60 South High Street
Akron, OH 44326-0001

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Akron-Summit County Public Library, Summit County (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 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 obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting 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, each major fund, and the aggregate remaining fund information of Akron-Summit County Public Library 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 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results

INDEPENDENT AUDITOR'S REPORT (continued)

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.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 25, 2006

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$1,349,275, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest increase in 2005 due to the first-year collection of a six-year 1.4 mil tax levy, which will generate approximately \$11.2 million annually during the term of the levy.

The Library's general receipts are primarily from the Library and Local Government Support Fund and the library's 1.4 mil six-year tax levy. These receipts represent 28.5 percent and 27.2 percent, respectively, of the total cash received for library's government-wide activities during the year.

The Library Board approved an advance refunding of the library's 1998A Series Bond Issue in 2005, saving the taxpayers nearly \$897,000 (present value) in interest over the life of the bond issue. The Board retired \$22,515,000 in debt and re-issued \$21,965,000 in debt. During the refunding process, Moody's upgraded the library's debt rating from A1 to Aa3.

Using the Basic Financial Statements

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

Report Components

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

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

The notes to the 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

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

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

Reporting the 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 governmental and business-type activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the library reports governmental activities. All of the library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and the LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into one category: governmental.

Governmental Funds – The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, Bond Retirement Fund, and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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.

(Table 1)
Net Assets

	<u>2005</u>	<u>2004</u>
Governmental Activities		
Assets		
Cash and Cash Equivalents	1,900,578	1,860,056
Investments	10,043,983	8,735,230
<i>Total Assets</i>	<u>\$ 11,944,561</u>	<u>\$ 10,595,286</u>
Net Assets		
Restricted for:		
Debt Service	583,087	461,185
Capital Projects	4,092,701	5,974,547
Permanent Fund Purpose		
Expendable	33,144	45,492
Non-Expendable	438,090	438,090
Other Purposes	1,319,961	1,276,945
Unrestricted	5,477,578	2,399,027
<i>Total Net Assets</i>	<u>\$ 11,944,561</u>	<u>\$ 10,595,286</u>

Akron-Summit County Public Library

Management's Discussion and Analysis For the Year Ended December 31, 2005 Unaudited

Table 2 reflects the changes in net assets in 2005 compared to 2004 on a modified cash basis.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$610,182	\$597,131	\$13,051
Operating Grants and Contributions	2,549	4,039	(\$1,490)
Total Program Receipts	612,731	601,170	\$11,561
General Receipts:			
Property Taxes Levied for General Purposes	9,977,837	2,146,452	7,831,385
Property Taxes Levied for Debt Services	5,633,950	5,602,685	31,265
Unrestricted Gifts and Contributions	25	2,122	(2,097)
Intergovernmental Revenues	16,372,231	15,116,114	1,256,117
Interest	176,862	150,005	26,857
Miscellaneous	65,133	128,349	(63,216)
Total General Receipts	32,226,038	23,145,727	9,080,311
Total Receipts	32,838,769	23,746,897	9,091,872
Disbursements:			
Library Services:			
Public Service and Programs	11,140,181	9,879,281	1,260,900
Collection Development and Processing	4,134,412	3,033,311	1,101,101
Support Services:			
Facilities Operation and Maintenance	3,916,420	2,993,576	922,844
Information Services	841,180	645,130	196,050
Business Administration	2,466,293	2,165,754	300,539
Capital Outlay	3,691,826	24,119,293	(20,427,467)
Debt Service:			
Principal Retirement	3,355,000	2,860,000	495,000
Interest and Fiscal Charges	2,762,966	2,889,173	(126,207)
Financing Fees and Costs	265,001	0	265,001
Total Disbursements	32,573,279	48,585,518	(16,012,239)
Excess (Deficiency) Before Special Items	265,490	(24,838,621)	25,104,111
Refunding Bonds Issued	23,746,243	0	23,746,243
Payment to Refund Bond Escrow Agent	(23,481,242)	0	(23,481,242)
Proceeds from Sale of Buildings	818,784	0	818,784
Increase (Decrease) in Net Assets	1,349,275	(24,838,621)	26,187,896
Net Assets, January 1, 2005	10,595,286	35,433,907	(24,838,621)
Net Assets, December 31, 2005	\$11,944,561	\$10,595,286	\$1,349,275

Program receipts represent only 1.8 percent of total receipts and are primarily comprised of patron fines and fees, and contributions and donations.

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 98 percent of the Library's total receipts, and of this amount, over 48 percent are local taxes. State grants and entitlements make up another 50 percent of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services and business administration represent the cost of operating the Library.

Governmental Activities

On the Statement of Activities on page 11, the user 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 governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, Capital Outlay and Debt Service, which account for 34.20 percent, 12.69 percent, 12.02 percent, 2.58 percent, 7.56 percent, 11.33 percent, and 19.60 percent of all Library disbursements, respectively. The next two columns of the Statement entitled Program Cash 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 receipts provided by local taxpayers and state entitlements. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services		
Public Service and Program	11,140,181	10,527,450
Collection Development and Processing	4,134,412	4,134,412
Support Services		
Facilities Operation and Maintenance	3,916,420	3,916,420
Information Services	841,180	841,180
Business Administration	2,466,293	2,466,293
Capital Outlay	3,691,826	3,691,826
Principal Retirement	3,355,000	3,355,000
Interest and Fiscal Charges	2,762,966	2,762,966
Financing Fees and Costs	265,001	265,001
Total Expenses	<u>\$32,573,279</u>	<u>\$31,960,548</u>

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Library's Funds

Total governmental funds had receipts of \$32,838,769 and disbursements of \$32,573,279. General Fund receipts were \$3,078,550 more than expenditures, and the cash fund balance of \$5,477,577 was a result of prudent business management. The Building Fund expenditures were \$2,700,630 more than revenues; however, this was a result of several major building projects being completed in 2004 for which funds were spent in 2005.

General Fund Budgeting Highlights

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

During 2005, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were \$27,245,001 while actual receipts were \$27,393,328 resulting in \$147,527 more revenue than budgeted. Final disbursements were budgeted at \$29,580,001 while actual disbursements were \$25,155,486 resulting in \$4,424,515 less expenditures than budgeted. The result was an overall increase to the fund balance of \$2,237,842 for 2005.

Debt Administration

Table 4 shows the Library's outstanding debt/leases of \$61,720,119 at December 31, 2005. This amount consists of general obligation bonds issued for improvements to buildings and structures of \$59,845,000, \$1,630,000 tax anticipation note, and \$254,119 in lease commitments for computer and copier equipment. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

(Table 4)

Debt Administration

<u>Type of Debt</u>	<u>Description</u>	<u>Balance Outstanding at 12/31/2005</u>
Bond Issue	Series 2005	\$21,965,000
Bond Issue	Series 2002	33,345,000
Bond Issue	Series 1998A	4,535,000
Total Bonds		<u>59,845,000</u>
Notes		<u>1,630,000</u>
Leases	Computer equipment	156,150
Leases	Circulation system	311,651
Total Leases		<u>467,801</u>
Total Debt/Leases		<u><u>\$61,942,801</u></u>

Akron-Summit County Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Capital Assets

In early 2005, the Library contracted with a third party to conduct an extensive appraisal of all capital assets in the library system. This report is available for inspection at the office of the Clerk-Treasurer. Ongoing maintenance of the report will be done on an annual basis by a third party appraisal company.

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 local taxes and LLGSF funding. The uncertain future of the LLGSF continues to be a major challenge facing the library.

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 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 the, Clerk-Treasurer, Akron-Summit County Public Library, 60 S. High Street, Akron, OH 44326.

Akron-Summit County Public Library, Summit County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,900,578
Investments	<u>10,043,983</u>
<i>Total Assets</i>	<u><u>\$11,944,561</u></u>
Net Assets	
Restricted for:	
Debt Service	\$583,087
Capital Projects	4,092,701
Permanent Fund Purpose	
Expendable	33,144
Nonexpendable	438,090
Other Purposes	1,319,961
Unrestricted	<u>5,477,578</u>
<i>Total Net Assets</i>	<u><u>\$11,944,561</u></u>

See accompanying notes to the basic financial statements

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$11,140,181	\$610,182	\$2,549	(\$10,527,450)
Collection Development and Processing	4,134,412	0	0	(4,134,412)
Support Services:				
Facilities Operation and Maintenance	3,916,420	0	0	(3,916,420)
Information Services	841,180	0	0	(841,180)
Business Administration	2,466,293	0	0	(2,466,293)
Capital Outlay	3,691,826	0	0	(3,691,826)
Debt Service:				
Principal Retirement	3,355,000	0	0	(3,355,000)
Interest and Fiscal Charges	2,762,966	0	0	(2,762,966)
Financing Fees and Costs	265,001	0	0	(265,001)
<i>Total Governmental Activities</i>	<u>\$32,573,279</u>	<u>\$610,182</u>	<u>\$2,549</u>	<u>(31,960,548)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				9,977,837
Debt Service				5,633,950
Intergovernmental Revenues				16,372,231
Unrestricted Gifts and Contributions				25
Interest				176,862
Miscellaneous				65,133
<i>Total General Receipts</i>				<u>32,226,038</u>
Special Items:				
Proceeds from Sale of Buildings				818,784
Refunding Bonds Issued				23,746,243
Payment to Refund Bond Escrow Agent				(23,481,242)
<i>Total General Receipts and Special Items</i>				<u>33,309,823</u>
Change in Net Assets				1,349,275
<i>Net Assets Beginning of Year</i>				<u>10,595,286</u>
<i>Net Assets End of Year</i>				<u>\$11,944,561</u>

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$871,619	\$92,775	\$651,188	\$284,996	\$1,900,578
Investments	4,605,959	484,112	3,441,513	1,512,399	10,043,983
<i>Total Assets</i>	<u>\$5,477,578</u>	<u>\$576,887</u>	<u>\$4,092,701</u>	<u>\$1,797,395</u>	<u>\$11,944,561</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$840,708	\$0	\$1,285,294	\$1,750	\$2,127,752
Reserved for Permanent Fund Purposes	0	0	0	438,090	438,090
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	4,636,870	0	0	0	4,636,870
Special Revenue Funds	0	0	0	1,319,961	1,319,961
Debt Service Funds	0	576,887	0	6,200	583,087
Capital Projects Funds	0	0	2,807,407	0	2,807,407
Permanent Funds	0	0	0	31,394	31,394
<i>Total Fund Balances</i>	<u>\$5,477,578</u>	<u>\$576,887</u>	<u>\$4,092,701</u>	<u>\$1,797,395</u>	<u>\$11,944,561</u>

See accompanying notes to the basic financial statements

Akron-Summit County Public Library, Summit County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$9,977,837	\$5,183,950	\$0	\$450,000	\$15,611,787
Intergovernmental	15,710,968	661,263	0	0	16,372,231
Patron Fines and Fees	610,182	0	0	0	610,182
Contributions, Gifts and Donations	2,574	0	0	0	2,574
Earnings on Investments	207,850	0	(90,930)	59,942	176,862
Miscellaneous	65,133	0	0	0	65,133
<i>Total Receipts</i>	<u>26,574,544</u>	<u>5,845,213</u>	<u>(90,930)</u>	<u>509,942</u>	<u>32,838,769</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	11,110,906	0	0	29,275	11,140,181
Collection Development and Processing	4,134,412	0	0	0	4,134,412
Support Services:					
Facilities Operation and Maintenance	3,916,420	0	0	0	3,916,420
Information Services	841,180	0	0	0	841,180
Business Administration	2,410,950	55,343	0	0	2,466,293
Capital Outlay	1,082,126	0	2,609,700	0	3,691,826
Debt Service:					
Principal Retirement	0	2,985,000	0	370,000	3,355,000
Interest and Fiscal Charges	0	2,682,966	0	80,000	2,762,966
Financing Fees and Costs	0	265,001	0	0	265,001
<i>Total Disbursements</i>	<u>23,495,994</u>	<u>5,988,310</u>	<u>2,609,700</u>	<u>479,275</u>	<u>32,573,279</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,078,550</u>	<u>(143,097)</u>	<u>(2,700,630)</u>	<u>30,667</u>	<u>265,490</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	818,784	0	0	0	818,784
Refunding Bonds Issued	0	23,746,243	0	0	23,746,243
Payment to Refund Bond Escrow Agent	0	(23,481,242)	0	0	(23,481,242)
Transfers In	0	0	818,784	0	818,784
Transfers Out	(818,784)	0	0	0	(818,784)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>265,001</u>	<u>818,784</u>	<u>0</u>	<u>1,083,785</u>
<i>Net Change in Fund Balances</i>	3,078,550	121,904	(1,881,846)	30,667	1,349,275
<i>Cash Fund Balances Beginning of Year</i>	<u>2,399,027</u>	<u>454,984</u>	<u>5,974,547</u>	<u>1,766,728</u>	<u>10,595,286</u>
<i>Fund Balances End of Year</i>	<u>\$5,477,577</u>	<u>\$576,888</u>	<u>\$4,092,701</u>	<u>\$1,797,395</u>	<u>\$11,944,561</u>

See accompanying notes to the basic financial statements

Akron-Summit County Public Library, Summit 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			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$9,655,649	\$9,885,671	\$9,977,837	\$92,166
Intergovernmental	16,206,859	15,710,349	15,710,968	619
Patron Fines and Fees	608,000	602,781	610,182	7,401
Contributions, Gifts and Donations	2,000	2,000	2,574	574
Earnings on Investments	60,000	60,000	207,850	147,850
Miscellaneous	150,000	150,000	65,133	(84,867)
<i>Total receipts</i>	<u>26,682,508</u>	<u>26,410,801</u>	<u>26,574,544</u>	<u>163,743</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	11,590,672	11,589,222	11,135,545	453,677
Collection Development and Processing	4,631,581	4,660,531	4,484,072	176,459
Support Services:				
Facilities Operation and Maintenance	4,551,751	4,621,312	4,154,377	466,935
Information Services	997,724	997,724	919,224	78,500
Business Administration	5,823,072	5,706,012	2,485,705	3,220,307
Capital Outlay	1,150,200	1,170,200	1,157,779	12,421
<i>Total Disbursements</i>	<u>28,745,000</u>	<u>28,745,001</u>	<u>24,336,702</u>	<u>4,408,299</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,062,492)</u>	<u>(2,334,200)</u>	<u>2,237,842</u>	<u>4,572,042</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	835,000	818,784	(16,216)
Transfers Out	0	(835,000)	(818,784)	16,216
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,062,492)</u>	<u>(2,334,200)</u>	<u>2,237,842</u>	<u>4,572,042</u>
<i>Fund Balance Beginning of Year</i>	1,856,580	1,856,580	1,856,580	0
<i>Prior Year Encumbrances Appropriated</i>	542,347	542,347	542,347	0
<i>Fund Balance End of Year</i>	<u>\$336,435</u>	<u>\$64,727</u>	<u>\$4,636,769</u>	<u>\$4,572,042</u>

See accompanying notes to the basic financial statements

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

Note 1 – Description of the Library and Reporting Entity

The Akron-Summit County Public Library was organized as a county district library in 1874 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members, four of whom are appointed by the Summit County Executive and Council, and the other three are appointed by the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the County, although the County serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County 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 County.

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

There are a total of 19 Friends groups associated with the Akron-Summit County Public Library, Inc., one for the Main Library, one for each branch library, and one Council of Friends, which is an umbrella group for the Friends groups. Each Friends group is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt of these organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Akron-Summit County Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America

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

Note 2 - Summary of Significant Accounting Policies (continued)

(GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activity 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. The library's functions include: Public Service and Programs; Collection Development and Processing; Facilities Operation and Maintenance; Information Services; Business Administration; Capital Outlay; and Debt Service. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational 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 modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Bond Retirement Fund - The bond retirement fund is used to accumulate resources for the retirement of principal and interest on the library's bond indebtedness.

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

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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. 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 relative revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such 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 expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and

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

Note 2 – Summary of Significant Accounting Policies (continued)

character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates 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.

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. Investment procedures are restricted by the provisions of the Ohio Revised Code.

During 2005, investments included statement savings, Federal National Mortgage Association Notes, Federal Home Loan Notes, a money market fund, and STAR Ohio. These investments are recorded at cost.

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.

Interest receipts credited to the general fund during 2005 amounted to \$207,850.

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

Note 2 – Summary of Significant Accounting Policies (continued)

F. 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.

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as 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.

I. 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.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets totaling \$438,090 in the Permanent Fund are restricted and are non-expendable. Net assets restricted for other purposes include resources restricted for monies donated to the library to benefit library programs.

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.

K. 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 balances have been established for encumbrances and the non-expendable portion of permanent funds.

L. Interfund Transactions

The Library had the following Interfund Transfers in 2005:

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

Note 2 – Summary of Significant Accounting Policies (continued)

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General	Building	\$818,784

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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Special Items

Due to lower interest rates, the Library Board approved an advance refunding of the Library's 1998A Series Bond issued during 2005. The Board retired \$22,515,000 in debt and re-issued \$21,965,000 in debt.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general 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). The encumbrances outstanding at year end (budgetary basis) amounted to \$840,708 for the general fund.

Note 4 – Deposits and Investments

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

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

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

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

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

Note 4 – Deposits and Investments (continued)

The Library's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

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 or instrumentality must be direct issuances of the federal government agencies or instrumentalities;

3. Interim deposit (such as Certificates of Deposit) in eligible institutions applying for interim monies;
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), as long as the fund maintains the highest letter rating provided by at last one nationally recognized standard rating service as outlined in ORC 135.45;
8. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities held as collateral for overnight repo (including sweep accounts) or term repo must exceed the principal by at least 2%, and the securities must be marked to market daily. Term repurchase agreements may not exceed 30 days. Any repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the treasurer or an agent designated by the treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction. Reverse repurchase agreements are strictly prohibited.

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

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

Note 4 – Deposits and Investments (continued)

and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library has \$1,959 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the Library's deposits is proved by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution. At year end, \$264,765 of the Library's bank balance was covered by Federal depository insurance and \$853,895 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name.

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

B. Investments

Investments are reported at cost. As of December 31, 2005, the Library had the following investments:

Investment Type	Book Value	Percent of Portfolio	Maturity
Money Market Mutual Fund	\$60,709	0.60%	Average
Federal Home Loan Notes	1,000,000	9.90%	6/11/2008
Federal Home Loan Notes	2,000,152	19.79%	6/30/2008
Federal Home Loan Notes	2,000,000	19.79%	11/13/2006
Federal Home Loan Notes	1,003,066	9.93%	7/24/2007
Federal National Mortgage Assoc. Notes	4,000,000	39.59%	4/22/2009
STAR Ohio	40,765	0.40%	Average
Total Portfolio	\$10,104,692	100.0%	

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

Note 4 – Deposits and Investments (continued)

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk: The Federal Home Loan Bank Notes, Federal National Mortgage Association Notes carry a rating of AAA by Standard and Poor's and AAA by Fitch Ratings. 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 mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Standard and Poor's rating for STAR Ohio is AAAM. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value or collateral securities that are in possession of an outside party. The Federal Home Loan Bank Notes, and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. In order to mitigate this risk, the Library purchases its investments only through an approved broker/dealer or institution. Payment for investments is made only upon delivery of the securities representing the investments to the qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Concentration of Credit Risk: The Library's investment policy provides for diversification to avoid undue concentration in securities of one type from one financial institution. This restriction does not apply to obligations guaranteed by the U.S. Government. The Library places no limit on the amount it may invest in any one issuer, however, state statutes limits investments in commercial paper and bankers acceptances to 25% of the interim monies available for investment at one time.

Note 5 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Library District. Property tax revenue received during 2005 for real and public utility property taxes represent collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value;

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

Note 5 - Property Taxes (continued)

public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due

December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Note 6 - Risk Management

The Library maintains commercial insurance for the following risks: Comprehensive property and general liability; Vehicles; Errors and omissions; Surety bonds. 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 also provides health, dental, vision and disability insurances to employees through private carriers.

Note 7 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may

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

Note 7 - Defined Benefit Pension Plan (continued)

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 contribution for pension obligation to the traditional plan for the years ended December 31, 2005, 2004 and 2003 were \$1,073,392, \$954,988, and \$1,065,975 respectively; the full amount has been contributed for 2005, 2004, and 2003.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available.

Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 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 1.0 and 6.0 percent annually for the next eight years and 4.0 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 \$449,588. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively. The Library has paid

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

Note 8 - Postemployment Benefits (continued)

all contributions required through December 31, 2005.

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.

Note 9 - Notes Payable

In order to cover operating expenses in 2004, the Library issued \$2 million in Tax Anticipation Notes for a six-year period. The notes were issued based on anticipation of passage of a 1.4 mil levy, which was approved by voters in March 2004 for collection in 2005.

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Tax Anticipation Notes</u>					
2004 Issue	4.0%	\$2,000,000	\$0	\$370,000	\$1,630,000

The payment schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2006	\$385,000	\$65,200	\$450,200
2007	400,000	49,800	449,800
2008	415,000	33,800	448,800
2009	430,000	17,200	447,200
Total	<u>\$1,630,000</u>	<u>\$166,000</u>	<u>\$1,796,000</u>

Note 10 – Debt

The Library's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>Tax Anticipation Notes</u>					
Library Improvement Bonds 1998 A Series	4.40-5.0%	\$29,315,000	\$0	\$24,780,000	\$4,535,000
Library Improvement Bonds 2002 Series	2.10-5.0%	34,065,000	0	720,000	33,345,000
2005 Refunding	3.5-5.0%	0	21,965,000	0	21,965,000
		<u>\$63,380,000</u>	<u>\$0</u>	<u>\$25,500,000</u>	<u>\$59,845,000</u>

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

Note10 - Debt (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2005, is as follows:

Schedule of Debt Service to Maturity

<u>Debt Issue</u>	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<i>Series 1998A</i>	2006	\$2,265,000	\$103,285	\$2,368,285
	2007	2,270,000	103,285	2,373,285
Total		\$4,535,000	\$206,570	\$4,741,570
<i>Series 2002</i>	2006	\$735,000	\$1,500,590	\$2,235,590
	2007	750,000	1,482,215	2,232,215
	2008	775,000	1,461,215	2,236,215
	2009	795,000	1,436,803	2,231,803
	2010	820,000	1,410,170	2,230,170
	2011-2015	4,655,000	6,516,115	11,171,115
	2016-2020	24,815,000	3,749,513	28,564,513
Total		\$33,345,000	\$17,556,621	\$50,901,621
<i>Series 2005</i>	2006	\$0	\$1,022,950	\$1,022,950
	2007	0	1,022,950	1,022,950
	2008	2,350,000	1,022,950	3,372,950
	2009	2,465,000	905,450	3,370,450
	2010	2,555,000	819,175	3,374,175
	2011-2020	14,595,000	2,260,750	16,855,750
	Total		\$21,965,000	\$7,054,225

The Library Board of Trustees authorized the issuance of \$80,000,000 in Library Improvement Bonds in February, 1998. Bonds totaling \$45,000,000, were issued in March 1998 and the remaining \$35,000,000 were issued in August 2002. These bonds are for the construction, renovation, and/or repair of the main Library and various branches throughout Summit County.

Due to lower interest rates, the Library Board approved an advance refunding of the Library's 1998A Series Bond Issue during 2005, saving the taxpayers nearly \$897,000 (present value) in interest over the life of the bond issue. The Board retired \$22,515,000 in debt and re-issued approximately \$21,965,000 in debt at significantly lower interest rates. During the refunding process, Moody's upgraded the library's debt rating from A1 to Aa3.

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

Note 11 – Leases

The Library leases computer and copier equipment under non-cancelable leases. The Library disbursed \$386,037 to pay lease costs for the year ended December 31, 2005. Future lease payments including interest, are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$245,056
2007	222,748
Total	<u>\$ 467,804</u>

Note 12 – Interfund Transfers

During 2005, the Library Board approved a transfer from the General Fund for \$818,784, which represents proceeds from the sale of four former library branches, into the Building Fund for continuation of the building program.

Note 13 – Construction and Contractual Commitments

The Library opened four new library buildings in 2004, including the Fairlawn-Bath branch in February, 2004, Firestone Park branch in July, 2004, North Hill branch in July, 2004, and the Main Library in October, 2004. As of December 31, 2005, several of the construction contracts were unpaid pending completion of the contracts.

Note 14 – Contingent Liabilities

The Library is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Library's financial condition.

Note 15 – Related Party Transactions

The library has contracts for construction and service with S.A. Comunale Company. Frank C. Comunale, a Board trustee, is an officer in the S.A. Comunale Company. The construction contracts were awarded by the Board following the sealed, formal bidding process as defined in the Ohio Revised Code section 3375.41 and S. A. Comunale Company was the lowest most responsible bid. Mr. Comunale abstains from votes of the Board of Trustees on any transactions involving the S. A. Comunale Company.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Akron-Summit County Public Library, Summit County
60 South High Street
Akron, OH 44326-0001

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron-Summit County Public Library, Summit County (the Library), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 25, 2006, wherein we noted the Library followed the modified cash basis of accounting, a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

We noted certain matters that we reported to management of the Library in a separate letter dated August 25, 2006.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

August 25, 2006



Mary Taylor, CPA
Auditor of State

AKRON SUMMIT COUNTY PUBLIC LIBRARY

SUMMIT 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 22, 2007**