

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Crestline Public Library  
324 North Thoman Street  
Crestline, Ohio 44827

We have reviewed the *Independent Accountants' Report* of the Crestline Public Library, Crawford County, prepared by Knox & Knox, for the audit period January 1, 2005 through December 31, 2006. 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 Crestline Public Library is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 18, 2007

**This Page is Intentionally Left Blank.**

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**REGULAR AUDIT**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Statements:	
Statement of Net Assets - Cash Basis - For the Year Ended December 31, 2006 .....	9
Statement of Activities - Cash Basis - For the Year Ended December 31, 2006 .....	10
Fund Financial Statements	
Statement of Cash Basis Assets and Fund Balances Governmental Funds - For the Year Ended December 31, 2006 .....	11
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances - Governmental Funds For the Year Ended December 31, 2006 .....	12
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - General Fund For the Year Ended December 31, 2006 .....	13
Government-Wide Statements:	
Statement of Net Assets - Cash Basis - For the Year Ended December 31, 2005 .....	14
Statement of Activities - Cash Basis - For the Year Ended December 31, 2005 .....	15
Fund Financial Statements	
Statement of Cash Basis Assets and Fund Balances Governmental Funds - For the Year Ended December 31, 2005 .....	16
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances - Governmental Funds For the Year Ended December 31, 2005 .....	17
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - General Fund For the Year Ended December 31, 2005 .....	18
Notes to Financial Statements .....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29

This page is intentionally left blank.

# KNOX & KNOX

---

Accountants and Consultants

## INDEPENDENT ACCOUNTANTS' REPORT

Crestline Public Library  
Crawford County  
324 North Thoman Street  
Crestline, Ohio 44827

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and major fund of Crestline Public Library, Crawford County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and major fund of the Crestline Public Library, Crawford County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2006 and 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, 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.

*KNOX & KNOX*

Orrville, Ohio  
June 18, 2007

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

This discussion and analysis of Crestline Public Library's financial performance provides an overall review of the Library's financial activities for the fiscal years ended December 31, 2006 and 2005, within the limitations of the 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 2006 are as follows:

- Net assets of governmental activities increased \$189,291 or 7.5 percent, a significant change from the prior year. The General Fund realized the increase which in part came from the increase in interest rates.
- The Library's general receipts come primarily from the Library and Local Government Support Fund (LLGSF). These receipts represent 81.08 percent of the total cash received for Library activities during the year.

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$146,170 or 6.17 percent, a significant change from the prior year. The General Fund realized the increase which in part came from the increase in interest rates.
- The Library's general receipts come primarily from the Library and Local Government Support Fund. These receipts accounted for 87.89 percent of the total cash received for Library activities during the year.

**USING THE BASIC FINANCIAL STATEMENTS**

The 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 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

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

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

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

**REPORTING THE LIBRARY AS A WHOLE**

The statements of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating.

In the statement of net assets and the statement of activities, we divide the Library into one type of activities:

Governmental activities. All of the Library's basic services are reported here. State grants finance most of these activities. 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 Government as a whole.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

**THE LIBRARY AS A WHOLE**

Table 1 provides a summary of the Library's net assets for 2006 and 2005 on a cash basis:

	(Table 1)		
	<b>Net Assets</b>		
	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>			
Cash and Cash Equivalents	<u>\$2,556,667</u>	<u>\$2,367,377</u>	<u>\$2,221,206</u>
Total Assets	<u><u>\$2,556,667</u></u>	<u><u>\$2,367,377</u></u>	<u><u>\$2,221,206</u></u>
<b>Net Assets</b>			
Unrestricted	<u>2,556,667</u>	<u>2,367,377</u>	<u>2,221,206</u>
Total Net Assets	<u><u>\$2,556,667</u></u>	<u><u>\$2,367,377</u></u>	<u><u>\$2,221,206</u></u>

Net assets of governmental activities increased \$189,291 or 7.5 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Interest income on investments increased significantly from 4.02 percent to 5.1 percent.
- The Library's approach to spending was conservative as related to the unknown financial funding from the state.

Net assets of governmental activities increased \$1146,170 or 6.17 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Interest income on investments increased significantly from 1.92 percent to 4.02 percent.
- The Library's approach to spending was conservative as related to the unknown financial funding from the state.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

Table 2 reflects the changes in nets assets in 2006 and 2005.

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

	Governmental Activities	
	2005	2006
<b>Receipts:</b>		
Program Receipts		
Charges for Services and Sales	\$13,058	\$13,215
Total Program Receipts	13,058	13,215
General Receipts		
Unrestricted Gifts and Contributions	508	909
Grants and Entitlements Not Restricted		
To Specific Programs	530,125	530,124
Earnings on Investments	58,689	108,354
Miscellaneous	783	1,160
Total General Receipts	590,104	640,547
Total Receipts	603,162	653,762
<b>Disbursements:</b>		
General Government		
Library Services	432,585	461,855
Capital Outlay	24,406	2,617
Total Disbursements	456,991	464,472
<b>Excess (Deficiency) Before Transfers</b>	146,171	189,291
Transfers		
Increase (Decease) in Net Assets	146,171	189,291
Net Assets, January 1	2,221,206	2,367,376
<b>Net Assets, December 31</b>	<b>\$2,367,377</b>	<b>\$2,556,667</b>

In 2006, program receipts represent only 2.16 percent of total receipts..

In 2006, general receipts represent 97.84 percent of the Library's total receipts, and of this amount, State grants and entitlements make up the balance of the Library's general receipts (88 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2005, program receipts represent only 2.2 percent of total receipts.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

In 2005, general receipts represent 97 percent of the Library's total receipts, and of this amount, State grants and entitlements make up the balance of the Library's general receipts (89 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2006 and 2005 disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Library activities. These include costs of the salaries, purchase of books and supplies and utility and maintenance costs of the Library.

**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 are for Library activities. General government also represents a significant cost. 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)  
**Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>General Government</b>				
Library Services	\$461,855	\$448,639	\$432,585	\$419,528
Capital Outlay	2,617	2,617	24,406	24,406
Total Expenses	<u>\$464,472</u>	<u>\$451,257</u>	<u>\$456,991</u>	<u>\$443,934</u>

The dependence on Library and Local Government receipts is apparent as over 97 percent of governmental activities are supported through these general receipts, in both 2006 and 2005.

**THE LIBRARY'S FUNDS**

In 2006, total governmental funds had receipts of \$653,762 and disbursements of \$464,472. The General Fund increased because of rising interest rates on investments and conservative spending.

In 2005, total governmental funds had receipts of \$590,104 and disbursements of \$456,991. The General Fund increased because of rising interest rates on investments and conservative spending.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

**GENERAL FUND BUDGETING HIGHLIGHTS**

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

The Library did not budget all monies that were thought to be available by the County Auditor because of the uncertainty of State funding.

In 2006, final disbursements were budgeted at \$2,827,527 while actual disbursements were \$464,472.

In 2005, final disbursements were budgeted at \$2,706,506 while actual disbursements were \$456,991.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

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

**Debt**

At December 31, 2006 and 2005, the Library had no debt.

**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 solely on Library and Local Fund for support and work to conserve funds for the times at which Local Government Fund might not be available.

**CONTACTING THE LIBRARY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, 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 Sally A. Glauer, Clerk-Treasurer, Crestline Public Library, 324 North Thoman Street, Crestline, Ohio 44827.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,556,667</u>
Total Assets	<u><u>\$2,556,667</u></u>
<b>Net Assets</b>	
Unrestricted	<u>\$2,556,667</u>
Total Net Assets	<u><u>\$2,556,667</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR YEAR ENDED DECEMBER 31, 2006**

	<u>Cash</u> <u>Disbursements</u>	<u>Program</u> <u>Receipts</u> <u>Charges</u> <u>for Service</u> <u>and Sales</u>	<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Assets</u>  <u>Governmental</u> <u>Activities</u>
<b>Governmental Activities</b>			
Library Services	\$461,855	\$13,215	(\$448,639)
Capital Outlay	<u>2,617</u>		<u>(2,617)</u>
Total Governmental Activities	<u>\$464,472</u>	<u>\$13,215</u>	<u>(\$451,257)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Contributions			909
Grants and Entitlements not Restricted to Specific Programs			530,124
Earnings on Investments			108,354
Miscellaneous			<u>1,160</u>
Total General Receipts			<u>640,547</u>
Change in Net Assets			189,290
Net Assets, January 1			<u>2,367,377</u>
Net Assets, December 31			<u><u>\$2,556,667</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,556,667</u>
Total Assets	<u><u>\$2,556,667</u></u>
<b>Fund Balances</b>	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	<u>\$2,556,667</u>
Total Fund Balances	<u><u>\$2,556,667</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCES, GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General Fund</u>
<b>Receipts</b>	
Library and Local Government Support	\$530,124
Patron, Fines and fees	13,215
Contributions, Gifts and Donations	909
Earnings on Investments	108,354
Miscellaneous	<u>1,160</u>
Total Receipts	<u>653,762</u>
<b>Disbursements</b>	
Current:	
Library Services	461,854
Capital Outlay	<u>2,617</u>
Total Disbursements	<u>464,471</u>
Excess of Receipts Over/(Under) Disbursements	189,291
Fund Balances, January 1	<u>2,367,376</u>
Fund Balances, December 31	<u>\$2,556,667</u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library and Local Government Support	\$515,000	\$515,000	\$530,124	\$15,124
Patron, Fines and fees	11,900	11,900	13,215	1,315
Contributions, Gifts and Donations	300	300	909	609
Earnings on Investments	40,000	40,000	108,354	68,354
Miscellaneous	450	450	1,160	710
	<u>567,650</u>	<u>567,650</u>	<u>653,762</u>	<u>86,112</u>
Total Receipts				
<b>Disbursements</b>				
Current:				
Library Services	1,262,500	1,262,500	461,854	800,646
Capital Outlay	1,610,026	1,610,026	2,617	1,607,409
	<u>2,872,526</u>	<u>2,872,526</u>	<u>464,471</u>	<u>2,408,055</u>
Total Disbursements				
Excess of Receipts Over/(Under) Disbursements	<u>(2,304,876)</u>	<u>(2,304,876)</u>	<u>189,290</u>	<u>2,494,167</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	<u>(62,500)</u>	<u>(62,500)</u>	<u></u>	<u>62,500</u>
Total Other Financing Sources (Uses)	<u>(62,500)</u>	<u>(62,500)</u>	<u></u>	<u>62,500</u>
Net Change in Fund Balances	(2,367,376)	(2,367,376)	189,290	2,556,667
Fund Balances, January 1	<u>2,367,376</u>	<u>2,367,376</u>	<u>2,367,376</u>	<u></u>
Fund Balances, December 31	<u><u>2,367,376</u></u>	<u><u>2,367,376</u></u>	<u><u>\$2,556,667</u></u>	<u><u>\$2,556,667</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,367,376</u>
 Total Assets	 <u><u>\$2,367,376</u></u>
 <b>Fund Balances</b>	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	<u>\$2,367,376</u>
 Total Fund Balances	 <u><u>\$2,367,376</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Cash Disbursements</u>	<u>Program Receipts Charges for Service and Sales</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>  <u>Governmental Activities</u>
<b>Governmental Activities</b>			
Library Services	\$432,585	\$13,058	(\$419,527)
Capital Outlay	<u>24,406</u>	<u>                    </u>	<u>(24,406)</u>
Total Governmental Receipts	<u>\$456,991</u>	<u>\$13,058</u>	<u>(\$443,933)</u>
 <b>General Receipts</b>			
Unrestricted Gifts and Contributions			508
Grants and Entitlements not Restricted to Specific Programs			530,124
Earnings on Investments			58,689
Miscellaneous			<u>782</u>
Total General Receipts			590,103
Change in Net Assets			146,170
Net Assets, January 1			<u>2,221,206</u>
<b>Net Assets, December 31</b>			<u><u>\$2,367,376</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,367,376</u>
Total Assets	<u><u>\$2,367,376</u></u>
<b>Fund Balances</b>	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	<u>\$2,367,376</u>
Total Fund Balances	<u><u>\$2,367,376</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE ENDED DECEMBER 31, 2005**

	<u>General Fund</u>
<b>Cash Receipts</b>	
Library and Local Government Support	\$530,124
Patron, Fines and Fees	13,058
Contributions, Gifts and Donations	508
Earnings on Investments	58,688
Miscellaneous	<u>783</u>
Total Receipts	<u>603,161</u>
<b>Cash Disbursements</b>	
Current:	
Library Services	432,585
Capital Outlay	<u>24,406</u>
Total Disbursements	<u>456,991</u>
Excess of Receipts Over/(Under) Disbursements	146,170
Fund Balances, January 1	<u>2,221,206</u>
<b>Fund Balances, December 31</b>	<u><u>\$2,367,376</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

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

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Library and Local Government Support	\$511,150	\$511,150	\$530,124	\$18,974
Patron, Fines and Fees	11,900	11,900	13,057	1,157
Contributions, Gifts and Donations	300	300	508	208
Earnings on Investments	24,000	24,000	58,689	34,689
Miscellaneous	450	450	783	333
Total Receipts	<u>547,800</u>	<u>547,800</u>	<u>603,161</u>	<u>55,361</u>
<b>Disbursements</b>				
Current:				
Library Services	1,221,725	1,221,725	432,585	789,140
Capital Outlay	<u>1,484,781</u>	<u>1,484,781</u>	<u>24,406</u>	<u>1,460,375</u>
Total Disbursements	<u>2,706,506</u>	<u>2,706,506</u>	<u>456,991</u>	<u>2,249,515</u>
Excess of Receipts Over/(Under) Disbursements	<u>(2,158,706)</u>	<u>(2,158,706)</u>	<u>146,170</u>	<u>2,304,876</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	<u>(62,500)</u>	<u>(62,500)</u>	<u></u>	<u>62,500</u>
Total Other Financing Sources (Uses)	<u>(62,500)</u>	<u>(62,500)</u>	<u></u>	<u>62,500</u>
Net Change in Fund Balances	(2,221,206)	(2,221,206)	146,170	2,367,376
Fund Balances, January 1	<u>2,221,206</u>	<u>2,221,206</u>	<u>2,221,206</u>	<u></u>
Fund Balances, December 31	<u><u>2,221,206</u></u>	<u><u>2,221,206</u></u>	<u><u>\$2,367,376</u></u>	<u><u>\$2,367,376</u></u>

See accompanying notes to the basic financial statements.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

Crestline Public Library, Crawford County, Ohio (the Library) was organized as a school district public library in 1925 under the laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the 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(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the 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 School District.

The Library has no component units.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**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.

**1. Government-Wide Financial Statements**

The statement of assets and the statement of activities display information about the Library as a whole. The Library has no business-type activities, fiduciary funds or internal service funds.

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 cash basis or draws from the Library's general receipts.

**2. 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. The Library has only one fund, the General Fund.

**B. Fund Accounting**

The Library uses fund accounting 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 funds of the Library are all classified as governmental.

**1. 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 Library has only one fund, the General Fund.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

All funds, are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and 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 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 cannot 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.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

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

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

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

During 2006 and 2005 investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for 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, 2006 and 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 was 108,354 and during 2005 was \$58,689.

**F. 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.

**G. Accumulated Leave**

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

**3. CHANGES IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

In 2004 the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2006 and 2005 the Library has implemented the 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.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Library has no fund balance deficits.

**B. Compliance**

The Library is compliant with all finance-related legal or contractual provisions.

**5. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (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 (cash basis). There were no encumbrances outstanding at year end 2006 and 2005.

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies 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;

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**6. DEPOSITS AND INVESTMENTS** (continued)

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).

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

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

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

At year end in 2006 and 2005, the Library had \$50 (petty cash) in undeposited cash on hand, which is included as part of Equity in Pooled Cash and Cash Equivalents on the balance sheet.

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

At year end 2006, the carrying amount of the Library's deposits was \$1,449,826 and the bank balance was \$1,464,365.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**6. DEPOSITS AND INVESTMENTS** (continued)

At December 31, 2006 of the bank balance \$500,000 was covered by federal depository insurance and \$964,365 was uninsured, but collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

At December 31, 2005 of the bank balance \$670,541 was covered by the federal depository insurance and \$799,499 was uninsured but collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

	<u>2006</u> <u>Category 1</u>	<u>2005</u> <u>Category 2</u>
STAR Ohio	<u>\$1,106,792</u>	<u>\$905,723</u>
Total Investments	<u><u>\$1,106,792</u></u>	<u><u>\$905,723</u></u>

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements." The Library maintains a cash and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$64,415	\$70,590
Certificates of Deposit	<u>1,400,000</u>	<u>1,400,000</u>
Total Deposits	<u>1,464,415</u>	<u>1,470,590</u>
STAR Ohio	<u>1,106,792</u>	<u>905,723</u>
Total Deposits and Investments	2,571,206	2,376,313
Less outstanding checks	<u>(14,539)</u>	<u>(8,937)</u>
Total	<u><u>\$2,556,667</u></u>	<u><u>\$2,367,376</u></u>

**Deposits:** Deposits are insured by Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**6. DEPOSITS AND INVESTMENTS** (continued)

**Investments:** Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**7. PROPERTY TAXES**

The Library collects no property tax.

**8. 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 2006 and 2005 the Library contracted with several companies for various types of insurance coverages as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Auto-Owners Insurance I	Commercial Property	\$2,567,140
	General Liability	\$1,000,000
	Commercial Crime	\$1,220,000
	Inland Marine	
Utica National Insurance	Vehicle	
	Errors and Omissions	\$3,000,000
	Library Officials	
	Fidelity and Deposit	

The Library has had no claims in 2006 and 2005.

The Library pays the State Workers' Compensation 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.

**9. DEFINED BENEFIT PENSION PLANS**

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.

**CRESTLINE PUBLIC LIBRARY  
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**9. DEFINED BENEFIT PENSION PLANS** (continued)

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pensions benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 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 2006, 2005, and 2004 were \$30,472, \$26,130, and \$30,526, respectively; the full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$30,472 made by the Library and \$20,018 made by the plan members. Contribution for 2005 were \$26,813 made by the library and \$16,820 made by the plan members.

**10. DEBT**

The Library had no debt in 2006 and 2005.

This page is intentionally left blank.

# KNOX & KNOX

---

Accountants and Consultants

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

Crestline Public Library  
Crawford County  
324 North Thoman Street  
Crestline, Ohio 44827

To the Board of Trustees:

We have audited the financial statements of the governmental activities, and major fund of Crestline Public Library, Crawford County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 18, 2007 wherein we noted the Library uses a comprehensive basis of accounting 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 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
June 18, 2007



**Mary Taylor, CPA**  
Auditor of State

**CRESTLINE PUBLIC LIBRARY**

**CRAWFORD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**