

Orrville Public Library

Financial Condition

As of

December 31, 2005

Together with Auditor's Report



Mary Taylor, CPA
Auditor of State

Board of Trustees
Orrville Public Library
230 North Main Street
Orrville, Ohio 44667

We have reviewed the *Report of Independent Accountants* of the Orrville Public Library, Wayne County, prepared by Kevin L. Penn, 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 Orrville Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

BETTY MONTGOMERY
Auditor of State

February 20, 2007

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Orrville Public Library
Wayne County

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustee
Orrville Public Library
Wayne County

I have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Orrville Public Library, Wayne County, Ohio (the Library), as of and for the year ended December 31, 2005 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on our audit.

I 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund, and the aggregate remaining fund information of the Library as of December 31, 2005 and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of the accounting Note 2 describes.

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

In accordance with Government Auditing Standards, I have also issued my report dated September 15, 2006, on my consideration of the Library's internal control over financial reporting and my 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 controls over financial reporting and compliance and the results of 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 Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

The Management's Discussion and Analysis, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, I did not audit the information and express no opinion on it.

Kevin L. Penn, Inc.

September 15, 2006

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

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased by \$37,627 or 3.36%. This decrease is the result Library and Local Government Support Funding (LLGSF) being reduced to 2004 levels as of July 2005.

The Library's general receipts are primarily property and income taxes. These receipts represent respectively \$846,678 and 94% percent of the total cash received for governmental activities during the year. Program receipts in the form of charges for services and contributions were \$47,488 or 6% of total receipts.

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 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 cash basis of accounting. This basis of accounting is a basis of accounting 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.

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the Library's property tax base, the infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Asset - Cash Basis and Statement of Activities - Cash Basis the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including public service and programs, collection development and processing, facilities operation and maintenance, information services and business administration. These services are primarily funded by intergovernmental and tax receipts.

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 Library's major governmental funds are the General Fund and the Building & Repair Fund.

Governmental Funds - The Library's activities are reported in governmental fund financial statements, which 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 information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

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

The Library as a Whole

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

(Table 1) Net Assets

	Governmental Activities	
	2004	2005
Assets		
Equity in Pooled		
Cash and Cash	\$1,119,350	\$ 1,081,723
Equivalents		
Total Assets	\$1,119,350	\$ 1,081,723
Net Assets		
Restricted for:		
Capital Outlay	\$ 330,344	\$ 352,958
Special Revenue	\$ 1,500	\$ 1,500
Permanent Fund		
Purpose		
Expendable	\$ 7,899	\$ 7,950
Nonexpendable	\$ 0	\$ 0
Unrestricted	\$ 779,607	\$ 730,315
Total Net Assets	\$1,119,350	\$ 1,081,723

As mentioned previously, net assets of governmental activities decreased \$37,627 or 3.36% during 2005. The primary reason contributing to the decrease in cash balances is due to a cut in funding received from LLGSF.

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

(Table 2)

	Changes in Net Assets	
	Governmental Activities	Governmental Activities
	2004	2005
	<u>2004</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 34,516	\$ 39,187
Operating Grants and Contributions	18,462	8,630
Capital Grants and Contributions		
Total Program Receipts	<u>52,978</u>	<u>47,817</u>
General Receipts:		
Intergovernmental	815,574	823,857
Interest	14,811	22,178
Miscellaneous	1,917	314
Total General Receipts	<u>832,302</u>	<u>846,349</u>
Total Receipts	<u>885,280</u>	<u>894,166</u>
Disbursements:		
Library Services		
Public Service and Programs	436,716	432,370
Collection Development and Processing	147,587	166,347
Facilities Operation and Maintenance	108,569	128,852
Information Services	55,894	56,964
Business Administration	132,904	147,260
Total Disbursements	<u>881,670</u>	<u>931,793</u>
Excess (Deficiency) Before Transfers	<u>3,610</u>	<u>(37,627)</u>
Transfers	-	-
Increase (Decrease) in Net Assets	<u>3,610</u>	<u>(37,627)</u>
Net Assets, January 1, 2005	1,115,740	1,119,350
Net Assets, December 31, 2005	<u>\$ 1,119,350</u>	<u>\$ 1,081,723</u>

General receipts represent 94 percent of the Library's total receipts. General receipts are made up almost entirely of the Library and Local Government Support Fund monies. These monies are provided by the State and it is evident that any decreases in this funding would have a substantial impact on the services the Library can provide.

The Statement of Activities - Cash Basis shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by Local Library Government Support Fund.

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

(Table 3)

	Total Cost Of Services 2005	Net Cost of Services 2005
Governmental Activities		
Library Services:		
Public Service and Programs	\$ 432,370	\$ 384,881
Collection Development and Processing	166,347	166,347
Facilities Operation and Maintenance	128,852	128,852
Information Services	56,964	56,964
Business Administration	<u>147,260</u>	<u>147,260</u>
Total Expenses	<u>\$ 931,793</u>	<u>\$ 884,304</u>

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.

Final disbursements were budgeted at \$1,000,321 while actual disbursements were \$931,761.

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 almost entirely on funding from the State of Ohio for the Library and Local Government Support Fund which was been stagnant in 2004 and is frozen through the end of June 2007.

The Library will be challenged to continue to maintain the current level of services and programs due to the Library and Local Government Support Fund being frozen. The Board and Library administration must maintain careful financial planning and prudent fiscal management in order to provide services needed and balance the budget annually.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information in this report or requests for additional information should be directed to Pat Carr, Clerk-Treasurer, Orrville Public Library, 230 N. Main Street, Orrville, Ohio 44667.

Orrville Public Library
Wayne County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,081,723
	<hr/>
Total Assets	\$ 1,081,723
	<hr/> <hr/>
Net Assets	
Restricted for:	
Capital Projects	\$ 341,959
Special Revenue	1,500
Permanent Fund Purpose Expendable	7,950
Unrestricted	730,314
	<hr/>
Total Net Assets	\$ 1,081,723
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

Orrville Public Library
Wayne County
Statement of Activities - 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	\$ 432,370	\$ 39,186	\$ 8,302	\$ (384,882)
Collection Development and Processing	166,347			(166,347)
Support Services:				
Facilities Operation and Maintenance	128,852			(128,852)
Information Services	56,964			(56,964)
Business Administration	147,260			(147,260)
Total Governmental Activities	\$ 931,793	\$ 39,186	\$ 8,302	\$ (884,305)
General Receipts				
Property Taxes Levied for General Purposes				\$ 134,893
				673,490
Intergovernmental				
Other Local Taxes				15,474
Unrestricted Gifts and Contributions				329
Interest				22,178
Miscellaneous				314
				846,678
				Change in Net Assets (37,627)
				Net Assets Beginning of Year 1,119,350
				Net Assets End of Year \$ 1,081,723

The notes to the financial statements are an integral part of this statement.

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

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 730,315			
	<u> </u>	<u>\$ 341,958</u>	<u>\$ 9,450</u>	<u>\$ 1,081,723</u>
Total Assets	<u>\$ 730,315</u>	<u>\$ 341,958</u>	<u>\$ 9,450</u>	<u>\$ 1,081,723</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 6,974			\$ 6,974
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	723,341			723,341
Special Revenue Funds			1,500	1,500
Capital Projects Funds		341,958		341,958
Permanent Funds			7,950	7,950
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>\$ 730,315</u>	<u>\$ 341,958</u>	<u>\$ 9,450</u>	<u>\$ 1,081,723</u>

The notes to the financial statements are an integral part of this statement.

Orrville Public Library
Wayne County
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Fund Balances
Governmental Funds
December 31, 2005

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
Intergovernmental Receipts	\$ 823,857			\$ 823,857
Patron Fines and Fees	39,187			39,187
Contributions, Gifts and Donations	8,630			8,630
Earnings on Investments	10,654	\$ 11,473	\$ 51	22,178
Miscellaneous	314			314
	<u>882,642</u>	<u>11,473</u>	<u>51</u>	<u>894,166</u>
Total Receipts				
Disbursements:				
Current:				
Library Services:				
Public Service and Programs	432,370			432,370
Collection Development and Processing	166,315		32	166,347
Support Services:				
Facilities Operation and Maintenance	128,852			128,852
Information Services	56,964			56,964
Business Administration	147,260			147,260
	<u>931,761</u>	<u>-</u>	<u>32</u>	<u>931,793</u>
Total Disbursements				
Excess of Receipts Over (Under) Disbursements	<u>(49,119)</u>	<u>11,473</u>	<u>19</u>	<u>(37,627)</u>
Net Change in Fund Balances	(49,119)	11,473	19	(37,627)
Fund Balances Beginning of Year	<u>779,434</u>	<u>330,485</u>	<u>9,431</u>	<u>1,119,350</u>
Fund Balances End of Year	<u>\$ 730,315</u>	<u>\$ 341,958</u>	<u>\$ 9,450</u>	<u>\$ 1,081,723</u>

The notes to the financial statements are an integral part of this statement.

Orrville Public Library
Wayne County
Statement of Receipts, Disbursements and Changes in Fund
Balance - Budget and Actual - Budget Basis
Governmental Funds
For the Year Ended December 31, 2005

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts:				
Intergovernmental Receipts	\$ 849,180	\$ 849,180	\$ 823,857	\$ (25,323)
Patron Fines and Fees	42,000	42,000	39,187	(2,813)
Contributions, Gifts and Donations	10,500	10,500	8,630	(1,870)
Earnings on Investments	22,500	22,500	10,654	(11,846)
Miscellaneous	-	-	314	314
Total Receipts	924,180	924,180	882,642	(41,538)
Disbursements:				
Current:				
Library Services:				
Public Service and Programs	448,590	448,590	432,720	15,870
Collection Development and Processing	195,641	195,641	171,716	23,925
Support Services:				
Facilities Operation and Maintenance	140,821	140,821	129,750	11,071
Information Services	61,002	61,002	56,964	4,038
Business Administration	154,267	154,267	147,585	6,682
Total Disbursements	1,000,321	1,000,321	938,735	61,586
Excess of Receipts Over (Under) Disbursements	(76,141)	(76,141)	(56,093)	20,048
Net Change in Fund Balances	(76,141)	(76,141)	(56,093)	20,048
Fund Balances Beginning of Year	748,974	748,974	748,974	-
Prior Year Encumbrances Appropriated	30,460	30,460	30,460	-
Fund Balances End of Year	\$ 703,293	\$ 703,293	\$ 723,341	\$ 20,048

The notes to the financial statements are an integral part of this statement.

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

Note 1 – Description of Library and Reporting Entity

The Orrville Public Library was organized as a school district public library in 1925 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Orrville City School District 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 Orrville City School District Board of Education, although the Orrville City School District 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 Orrville City School District 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 Orrville City School District 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 Orrville City School District.

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.

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

The financial statements of the Orrville Public Library have been prepared on a cash basis of accounting. This 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. The Library recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made.

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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 of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a 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.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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 cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures 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 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

The Library deposits and invests cash from all funds mainly in Certificates of Deposit. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents on the financial statements.

The Library specifies the funds that the Certificates of Deposit are purchased for and allocates interest to the fund which purchased the Certificate of Deposit.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

Note 2 - Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Library's 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 other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

L. Net Assets

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

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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$6,974 for the general fund.

Note 4 - Deposits and Investments

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

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

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

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.

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

Note 4 - Deposits and Investments (continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-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 by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

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

Note 4 - Deposits and Investments (continued)

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

At year end, the Library had \$200.00 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements). At year end, the carrying amount of the Library's deposits was \$1,081,523 and the bank balance was \$1,104,242. Of the bank balance \$300,000 was covered by federal depository insurance and \$804,042 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments: GASB Statement No. 3 "Deposits with Financial Institutions, investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 included investments that are insured or registered for which the securities are held in the counter party's trust department or agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the Library's name. At December 31, 2005, the Library held no investments that would be classified as investments under GASB Statement No.3.

Note 5 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the Library obtained insurance coverage for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial crime
- Valuable papers
- Errors & omissions
- Surety bonds; and
- Program activities

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.

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

Note 6 - Defined Benefit Pension Plan

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 be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 were \$61,852, \$58,441 and \$59,898 respectively; the full amount has been contributed for the 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$61,852 made by the Library and \$38,801 made by the plan members.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 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. The rate changed to 13.70 percent effective January 1, 2006.

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

Note 7 - Postemployment Benefits (continued)

Ohio Public Employees Retirement System

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 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$61,852. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Note 8- Property Tax

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2005 represent the collection of 2006 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Note 8- Property Tax (continued)

The full tax rate for all Library operations for the year ended December 31, 2005, was \$9.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property		
Agricultural	\$	158,682,980
Residential		1,227,990,410
Commercial/Industrial/Mineral		345,117,980
Tangible Personal Property		247,616,539
Public Utility		
Real		593,220
Personal		<u>72,254,480</u>
Total Assessed Value	\$	<u>2,052,255,609</u>



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

To the Board of Trustee
Orrville Public Library
Wayne County

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville Public Library as of and for the year ended December 31, 2005, and have issued my report thereon dated September 15, 2006. I conducted my audit in accordance with generally accepted auditing standards 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. My report on the financial statements disclosed that, as described in Note 2 to the financial statements, the Library prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Orrville Public Library's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Orrville Public Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as 2005-1. I also noted certain additional matters that I reported to management of Orrville Public Library in a separate letter dated September 15, 2006.

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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above, is a material weaknesses.

Compliance and Other Matter

As part of obtaining reasonable assurance about whether Orrville Public Library's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

September 15, 2006

ORRVILLE PUBLIC LIBRARY
Wayne County

Schedule of Findings
December 31, 2005

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2005-1

Bank Reconciliation

Condition:

The checking account was not properly reconciled as of December 31, 2005 resulting in the understatement of unrestricted cash in the amount of \$8,112.

Criteria:

Bank reconciliations should be performed on a monthly basis, reflecting the actual available cash balance.

Effect:

Resulted in the understatement of operating cash.

Cause:

Debit charges were recorded as outstanding transactions. The debit charges did not occur until the following month.

Recommendation:

I recommend that bank reconciliations should be performed on a monthly basis, reflecting the actual available cash balance.

Auditee's Response:

The Current Clerk-Treasurer has instituted an Internal Audit Procedure, dated August 18, 2006, which specifies that the Clerk-Treasurer reconciles the monthly bank statements with the system and the Deputy Clerk-Treasurer signs off on these reports after verifying the data is correct.

This Internal Audit Procedure also specifies that the Clerk-Treasurer must reconcile the petty cash funds along with the daily bank deposits on a weekly basis. All bank deposits are made at the various banks on Mondays and Thursdays.

This procedure will eliminate future errors in the reporting of funds transfers, interest income and various bank charges.



Mary Taylor, CPA
Auditor of State

ORRVILE PUBLIC LIBRARY

WAYNE 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 6, 2007