



Mary Taylor, CPA  
Auditor of State



**ADAMS COUNTY PUBLIC LIBRARY  
ADAMS COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Adams County Public Library  
Adams County  
157 High Street  
Peebles, Ohio 45660

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County Public Library, Adams County, Ohio (the Library), as of and for the year 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County Public Library, Brown 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 year(s) then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, 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.

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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.

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

**Mary Taylor, CPA**  
Auditor of State

February 29, 2008

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

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This discussion and analysis of the Adams County Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2006, within the limitations of the Library's modified cash basis of 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 \$162,222, or 11 percent, a moderate change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily from the State Library and Local Government Support Fund (LLGSF) receipts. These receipts represent respectively 90 percent of the total cash received for governmental activities during the year. These receipts for 2006 did not change as compared to 2005.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$167,901, or 12 percent, a moderate change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 93 percent of the total cash received for governmental activities during the year. These receipts for 2005 increased less than one percent as compared to 2004.

**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.

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

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**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.

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2006, within the limitations of the cash basis accounting. The statement of net assets presents the equity in pooled cash and cash equivalents 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 grants and contributions restricted to meeting the operational 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 nonfinancial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental Activities - All of the Library's basic services are reported here, including library services, support services, and capital outlay. 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 Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all governmental.

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

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

**The Library as a Whole**

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

(Table 1)

**Net Assets – Cash Basics**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	1,693,738	1,531,516
Total Assets	1,693,738	1,531,516
<b>Net Assets</b>		
Restricted for:		
Capital Projects	758,673	786,126
Unrestricted	935,065	745,390
Total Net Assets	1,693,738	1,531,516

As mentioned previously, net assets of governmental activities increased \$167,901 or 12 percent during 2005. The primary reasons contributing to the increase of the cash balances are as follows:

- Because the Library and Local Support Fund was essentially frozen at 2004 levels, management sought ways to hold the line on expenditures in 2005.
- Overall, expenditures were reduced by 9 % as compared with 2004.
- Combined increases in wages and total employee hours were held to 5.3%.
- Expenditures for purchased and contract services were reduced by 49%.
- Materials expenditures were reduced by 3%.
- Capital outlay was reduced by 61%.

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

Net Assets increased \$162,222 or 11 percent during 2006. The primary reasons contributing to the increase of the cash balances are as follows:

- Interest receipts rose significantly by 118%
- Because the Library and Local Support Fund was frozen at 2004 levels, management sought ways to hold the line on expenditures in 2006.
- Combined overall, expenditures only increased by 4% as compared with 2005. Increase in wages and employee hours were held to a 3% increase.
- Expenditures for administrative supplies were reduced by 12 %.
- Major building projects remain on hold.

Table 2 reflects the changes in net assets for the years ended December 31, 2005 and 2006.

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

	Activities 2006	Activities 2005
	<u>          </u>	<u>          </u>
<b>Receipts:</b>		
Program Receipts:		
Charges for Services and Sales	\$32,087	\$31,217
Total Program Receipts	<u>32,087</u>	<u>31,217</u>
General Receipts:		
Library and Local Government Support	997,464	997,464
Unrestricted Gifts & Doanations	585	1,998
Interest	78,656	36,085
Miscellaneous	1,262	8,398
Total General Receipts	<u>1,077,967</u>	<u>1,043,945</u>
Total Receipts	<u>1,110,054</u>	<u>1,075,162</u>
 <b>Disbursements:</b>		
Salaries	525,891	511,002
Employee Fringe Benefits	112,084	102,704
Purchased and Contracted Services	106,209	99,504
Library Material and Information	144,367	142,599
Supplies	25,156	28,707
Other	4,580	3,077
Capital Outlay	29,545	19,668
Total Disbursements	<u>947,832</u>	<u>907,261</u>
 Excess (Deficiency) Before Transfers	162,222	167,901
Transfers		
Increase (Decrease) in Net Assets	<u>162,222</u>	<u>167,901</u>
 Net Assets, January 1,	<u>1,531,516</u>	<u>1,363,615</u>
Net Assets, December 31,	<u><u>\$1,693,738</u></u>	<u><u>\$1,531,516</u></u>

Adams County Public Library  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2005 and 2006

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In 2006 and 2005 program receipts represented 3%, respectively. Program receipts were primarily comprised of patron fines, and fees.

In 2006 and 2005 general receipts represented over 97 %, respectively of the Library's total receipts. In 2006 and 2005 and of the general receipts over 93% and 95%, respectively are Library and Local Government Support Fund monies. Unrestricted gifts, interest, and miscellaneous receipts that make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of public service programs, facility operation and maintenance, and library branch offices, as well as internal services such as payroll and purchasing.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and employee fringe benefits, which account for 56 % and 11 % of all governmental disbursements for 2005 and 55 % and 12 % for 2006. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service 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 the State Library and Local Government Support Fund and other receipts. 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 below.

(Table 3)

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
Salaries	511,002	479,785
Employee Fringe Benefits	102,704	102,704
Purchased and Contract Services	99,504	99,504
Library Materials and Information	142,599	142,599
Supplies	28,707	28,707
Other	3,077	3,077
Capital Outlay	<u>19,668</u>	<u>19,668</u>
Total Expenses	<u>\$907,261</u>	<u>\$876,044</u>

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

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	Total Cost of Services 2006	Net Cost of Services 2006
Salaries	525,891	493,804
Employee Fringe Benefits	112,084	112,084
Purchased and Contract Services	106,209	106,209
Library Materials and Information	144,367	144,367
Supplies	25,156	25,156
Other	4,580	4,580
Capital Outlay	<u>29,545</u>	<u>29,545</u>
Total Expenses	<u>\$947,832</u>	<u>\$915,745</u>

Over 97% of the total cost of library operations are derived from general receipts and as stated previously, this consists primarily of state funding through the Library and Local government Support Funds.

#### **The Library's Funds**

Total governmental funds had receipts of \$1,075,162 and \$1,110,054 for years 2005 and 2006. and disbursements of \$907,261 and \$947,832 for 2005 and 2006. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased in both years as the result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).

After a transfer of \$40,000 to the Capital Projects Technology Fund, in 2005 the General Fund receipts exceeded General Fund expenditures by \$135,790 and \$189,675 in 2005 and 2006 respectively indicating that efforts to contain cost, and limit expenses were successful.

In light of the continued uncertainty regarding the Local Government Support Fund, it was the recommendation of the Library Board and the administration that holding the line on disbursements was preferable to requesting additional funds from the taxpayers. These measures will not eliminate the need for additional funds or reductions of expenditures in the future if the growth in the Local Government Support Funding is reduced or remains stagnant.

#### **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.

Although actual receipts from the Library and Local Government Support Fund in 2005 were less than the final budget receipts, the total receipts were more due to unexpected increases in earnings on investments, Patron Fines and Fees and Contributions, Gifts, and Donations. The difference between final budgeted receipts and actual receipts was not significant.

Adams County Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2006

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In 2006 actual receipts were 9 % greater primarily due to a significant increase in interest receipts as mentioned earlier.

Final Funds disbursements from the General Fund were budgeted at \$1,663,760 and \$1,762,256 for 2005 and 2006 respectively, while actual disbursements were \$948,942 and \$943,541 for 2005 and 2006 respectively.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not report its capital assets and infrastructure under the cash basis of accounting.

**Debt**

The Library had no debt during the period January 1, 2005 through December 31, 2006.

**Current Issues**

As the preceding information shows, the Library heavily depends on the Library and Local Government Support Fund. With the Local Government Support Fund being frozen at the 2004 level for the calendar years 2005 and 2006, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Glenda J. Jones Clerk-Treasurer, Adams County Public Library, 157 High St. Peebles, Ohio 45660 e-mail at [jonesgl@oplin.org](mailto:jonesgl@oplin.org).

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**Adams County Public Library**  
**Adams County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,693,738</u>
<i>Total Assets</i>	<u><u>\$1,693,738</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$758,673
Unrestricted	<u>935,065</u>
<i>Total Net Assets</i>	<u><u>\$1,693,738</u></u>

See accompanying notes to the basic financial statements

**Adams County Public Library**  
**Adams County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  Charges for Services and Sales	<u>Net (Disbursements)</u> <u>Receipts and Changes in</u> <u>Net Assets</u>  Governmental Activities
<b>Governmental Activities</b>			
Library Services:			
Salaries	\$525,891	\$32,087	(493,804)
Employee Fringe Benefits	112,084		(112,084)
Purchased and Contractual Services	106,209		(106,209)
Library Materials and Information	144,367		(144,367)
Supplies	25,156		(25,156)
Other	4,580		(4,580)
Capital Outlay	29,545		(29,545)
<i>Total Governmental Activities</i>	<u>\$947,832</u>	<u>\$32,087</u>	<u>(915,745)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Donations			585
Grants and Entitlements not Restricted to Specific Programs			997,464
Interest			78,656
Miscellaneous			1,262
<i>Total General Receipts</i>			1,077,967
Change in Net Assets			162,222
<i>Net Assets Beginning of Year</i>			<u>1,531,516</u>
<i>Net Assets End of Year</i>			<u>\$1,693,738</u>

**Adams County Public Library**  
**Adams County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	<u>General</u>	<u>Capital Project Fund Manchester</u>	<u>Capital Project Fund North Adams</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$935,065	\$470,364	\$218,294	\$70,015	\$1,693,738
<i>Total Assets</i>	<u>\$935,065</u>	<u>\$470,364</u>	<u>\$218,294</u>	<u>\$70,015</u>	<u>\$1,693,738</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$23,162	\$14,056		\$126	\$37,344
Unreserved:					
Undesignated, Reported in:					
General Fund	911,903				911,903
Capital Project Funds		456,308	\$218,294	69,889	744,491
<i>Total Fund Balances</i>	<u>\$935,065</u>	<u>\$470,364</u>	<u>\$218,294</u>	<u>\$70,015</u>	<u>\$1,693,738</u>

See accompanying notes to the basic financial statements

**Adams County Public Library**  
**Adams County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Capital Projected Fund Manchester	Capital Project Fund North Adams	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Library and Local Government Support	\$997,464				\$997,464
Patron, Fines and Fees	32,087				32,087
Contributions, Gifts and Donations	585				585
Earnings on Investments	78,656				78,656
Miscellaneous	1,262				1,262
<i>Total Receipts</i>	<u>1,110,054</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,110,054</u>
<b>Disbursements</b>					
Current:					
Salaries	525,891				525,891
Employee Fringe Benefits	112,084				112,084
Purchased and Contractual Services	99,301	6,908			106,209
Library Materials and Information	144,367				144,367
Supplies	25,156				25,156
Other	4,580				4,580
Capital Outlay	9,000	14,008		6,537	29,545
<i>Total Disbursements</i>	<u>920,379</u>	<u>20,916</u>	<u>0</u>	<u>6,537</u>	<u>947,832</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>189,675</u>	<u>(20,916)</u>	<u>0</u>	<u>(6,537)</u>	<u>162,222</u>
<i>Net Change in Fund Balances</i>	189,675	(20,916)	0	(6,537)	162,222
<i>Fund Balances Beginning of Year</i>	<u>745,390</u>	<u>491,280</u>	<u>218,294</u>	<u>76,552</u>	<u>1,531,516</u>
<i>Fund Balances End of Year</i>	<u>\$935,065</u>	<u>\$470,364</u>	<u>\$218,294</u>	<u>\$70,015</u>	<u>1,693,738</u>

See accompanying notes to the basic financial statements

**ADAMS COUNTY PUBLIC LIBRARY**

**Adams County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library and Local Government Support	\$997,466	\$997,466	\$997,464	(\$2)
Patron Fines and Fees	4,000	4,000	32,087	28,087
Contributions, Gifts and Donations	300	300	585	285
Earnings on Investments	15,000	15,000	78,656	63,656
Miscellaneous	100	100	1,262	1,162
<i>Total Receipts</i>	<u>1,016,866</u>	<u>1,016,866</u>	<u>1,110,054</u>	<u>93,188</u>
<b>Disbursements</b>				
Current:				
Salaries	675,000	675,000	525,891	149,109
Employee Fringe Benefits	164,500	164,500	112,084	52,416
Library Materials and Information	239,570	239,570	167,529	72,041
Purchased and Contracted Services	262,600	262,600	99,301	163,299
Supplies	48,500	48,500	25,157	23,343
Other	8,500	8,500	4,580	3,920
Capital Outlay	295,386	295,386	8,999	286,387
Total Disbursements	<u>1,694,056</u>	<u>1,694,056</u>	<u>943,541</u>	<u>750,515</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(677,190)</u>	<u>(677,190)</u>	<u>166,513</u>	<u>843,703</u>
<b>Other Financing Uses</b>				
Transfers-Out	(20,100)	(20,100)	0	20,100
Other	(48,100)	(48,100)	0	48,100
Total Other Financing Uses	<u>(68,200)</u>	<u>(68,200)</u>	<u>0</u>	<u>68,200</u>
Net Change in Fund Balance	<u>(745,390)</u>	<u>(745,390)</u>	<u>166,513</u>	<u>911,903</u>
Fund Balance Beginning of Year	735,820	735,820	735,820	735,820
Prior Year Encumbrances Appropriated	<u>9,570</u>	<u>9,570</u>	<u>9,570</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$911,903</u>	<u>\$911,903</u>

See accompanying notes to the basic financial statements

**Adams County Public Library**  
**Adams County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,531,516</u>
<i>Total Assets</i>	<u><u>\$1,531,516</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$786,126
Unrestricted	<u>745,390</u>
<i>Total Net Assets</i>	<u><u>\$1,531,516</u></u>

See accompanying notes to the basic financial statements

**Adams County Public Library**  
**Adams County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Cash</u> Disbursements	<u>Program Cash Receipts</u> Charges for Services and Sales	<u>Net (Disbursements)</u> Receipts and Changes in Net Assets  Governmental Activities
<b>Governmental Activities</b>			
Library Services:			
Salaries	\$511,002	\$31,217	(\$479,785)
Employee Fringe Benefits	102,704		(102,704)
Purchased and Contractual Services	99,504		(99,504)
Library Materials and Information	142,599		(142,599)
Supplies	28,707		(28,707)
Other	3,077		(3,077)
Capital Outlay	19,668		(19,668)
<i>Total Governmental Activities</i>	<u>\$907,261</u>	<u>\$31,217</u>	<u>(876,044)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Donations			1,998
Grants and Entitlements not Restricted to Specific Programs			997,464
Interest			36,085
Miscellaneous			8,398
<i>Total General Receipts</i>			1,043,945
Change in Net Assets			167,901
<i>Net Assets Beginning of Year</i>			<u>1,363,615</u>
<i>Net Assets End of Year</i>			<u>\$1,531,516</u>

See accompanying notes to the basic financial statements

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

	<u>General</u>	<u>Capital Project Fund Manchester</u>	<u>Capital Project Fund North Adams</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$745,390	\$491,280	\$218,295	\$78,551	\$1,533,516
<i>Total Assets</i>	<u>\$745,390</u>	<u>\$ 491,280</u>	<u>\$218,295</u>	<u>\$78,551</u>	<u>\$1,533,516</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$9,570	\$10,506			\$20,076
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	735,820				735,820
Capital Project Funds		480,774	\$218,295	\$76,551	775,620
<i>Total Fund Balances</i>	<u>\$745,390</u>	<u>\$491,280</u>	<u>\$218,295</u>	<u>\$76,551</u>	<u>\$1,531,516</u>

See accompanying notes to the basic financial statements

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

	General	Capital Project Fund Manchester	Capital Project Fund North Adams	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Library and Local Government Support	\$997,464				\$997,464
Patron, Fines and Fees	31,217				31,217
Contributions, Gifts and Donations	1,998				1,998
Earnings on Investments	36,085				36,085
Miscellaneous	8,398				8,398
<i>Total Receipts</i>	<u>1,075,162</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>1,075,162</u>
<b>Disbursements</b>					
Current:					
Salaries	511,002				511,002
Employee Fringe Benefits	102,704				102,704
Purchased and Contractual Services	95,825			3,679	99,504
Library Materials and Information	142,599				142,599
Supplies	28,707				28,707
Other	3,077				3,077
Capital Outlay	15,458			4,210	19,668
<i>Total Disbursements</i>	<u>899,372</u>	<u>0</u>	<u>0</u>	<u>7,889</u>	<u>907,261</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>175,790</u>	<u>0</u>	<u>0</u>	<u>(7,889)</u>	<u>167,901</u>
<b>Other Financing Sources (Uses)</b>					
Transfers-In				40,000	40,000
Transfers-Out	(40,000)				(40,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,000)</u>	<u>0</u>	<u>0</u>	<u>40,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	135,790	0	0	32,111	167,901
<i>Fund Balances Beginning of Year</i>	<u>609,600</u>	<u>491,280</u>	<u>218,295</u>	<u>44,440</u>	<u>1,363,615</u>
<i>Fund Balances End of Year</i>	<u>\$745,390</u>	<u>\$491,280</u>	<u>\$218,295</u>	<u>\$76,551</u>	<u>\$1,531,516</u>

See accompanying notes to the basic financial statements

**ADAMS COUNTY PUBLIC LIBRARY**

**Adams County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual - Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library and Local Government Support	\$1,034,760	\$1,034,760	\$997,464	(\$37,296)
Patron Fines and Fees	4,000	4,000	31,217	27,217
Contributions, Gifts and Donations	300	300	1,998	1,698
Earnings on Investments	15,000	15,000	36,085	21,085
Miscellaneous	100	100	8,398	8,298
<i>Total Receipts</i>	<u>1,054,160</u>	<u>1,054,160</u>	<u>1,075,162</u>	<u>21,002</u>
<b>Disbursements</b>				
Current:				
Salaries	675,000	675,000	511,002	163,998
Employee Fringe Benefits	144,000	144,000	102,704	41,296
Purchased and Contracted Services	250,600	252,384	95,825	156,559
Library Materials and Information	243,548	240,157	152,169	87,988
Supplies	48,500	49,367	28,707	20,660
Other	8,500	8,500	3,077	5,423
Capital Outlay	225,412	206,152	15,458	190,694
<i>Total Disbursements</i>	<u>1,595,560</u>	<u>1,575,560</u>	<u>908,942</u>	<u>666,618</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(541,400)</u>	<u>(521,400)</u>	<u>166,220</u>	<u>687,620</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(20,100)	(40,100)	(40,000)	100
Other Financing Uses	<u>(48,100)</u>	<u>(48,100)</u>	<u>-</u>	<u>48,100</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(68,200)</u>	<u>(88,200)</u>	<u>(40,000)</u>	<u>48,200</u>
<i>Net Change in Fund Balance</i>	<u>(609,600)</u>	<u>(609,600)</u>	<u>126,220</u>	<u>735,820</u>
<i>Fund Balance Beginning of Year</i>	<u>596,052</u>	<u>596,052</u>	<u>596,052</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>13,548</u>	<u>13,548</u>	<u>13,548</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$735,820</u>	<u>\$735,820</u>

See accompanying notes to the basic financial statements

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

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

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams County Public Library, Adams County, Ohio (the Library), as a body corporate and politic. The Board of Education of the Adams County/Ohio Valley Schools appoints a seven-member Board of Trustees to govern the Library. 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 the 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.

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

A reporting entity is comprised of the primary government, component units, and other organizations included to ensure that the basic financial statements of the Library are not misleading. The primary government consists of all funds of the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of debt or the levying of their taxes. The Library has no component units or other organizations that are financially dependent upon the library.

The Friends of the Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not have the ability to access a majority of the economic resources received or held by the Friends of the Library, Inc.. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**Note 2 – Summary of Significant Accounting Policies**

**A. Basis of Presentation**

For fiscal years 2005 and 2006 the Library has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Library's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that 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 all financial activities of the Library.

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

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

The statement of net assets presents the cash basis financial condition of governmental activities of the Library at year-end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Library's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include grants and contributions that are restricted to meeting the operational requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Library. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Library.

**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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Library's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Library functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

*General Fund*

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

*Manchester and North Adams Building Funds*

These capital project building funds account for monies set aside by the Board of Library Trustees specifically for major capital improvements.

**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 when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

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

Library are described in the appropriate section in this note.

As a result of the use of the 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.

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. On a cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**D. Budgetary Process**

All funds, (except agency 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 appropriation 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 the prior years. The amounts reported as the final budgeted amounts represent the final appropriation amount passed by the Trustees during the year.

**E. Cash and Cash Equivalents and Investments**

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.

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

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

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

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

**F. Restricted Assets**

Cash and cash equivalents 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. Restricted assets represent capital project fund balances.

**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**

Capital assets (fixed assets) acquired or constructed for the Library are recorded as disbursements at the time of acquisition. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**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.

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

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

**L. Net Cash Assets**

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserve**

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

**N. Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. In the government-wide financial statements transfers within governmental activities are eliminated.

**Note 3 - Deposits and Investments**

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

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

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

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

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

**Note 3 - 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).

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.

At year end, the Library had \$125 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2005 year end, \$913,767 of the Library's bank balance of \$1,013,767 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At 2006 year end, \$1,035,986 of the Library's bank balance of \$1,135,986 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name

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

Investments

As of December 31, 2006 and 2005, the Library had the following investments:

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

**Note 3 - Deposits and Investments (continued)**

	2006 Carrying Value	2005 Carrying Value
STAR Ohio	606,138	539,378
Total Investments	\$ 606,138	\$539,378

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$9,570 in 2005 and \$23,162 in 2006 for the general fund.

**Note 5 – Library and Local Government Support Fund**

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

**Note 6 – Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Library contracted a company for various types of insurance coverage as follows:

Type of Coverage	Coverage
Commercial Property-Bldg	\$2,930,500
Commercial Property-Personal	\$1,600,000
Vehicle	\$1,000,000
General Liability	\$4,000,000

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

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

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

**Note 6 – Risk Management (continued)**

The Library also provides health insurance through a private carrier to employees with an assignment of 25 hours or more per week.

**Note 7 – Defined Benefit Pension Plan**

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may 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, 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 and 2005 was 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to OPERS for the years ended December 31, 2006, 2005, and 2004 were \$72,010, \$69,240 and \$65,755 respectively; At year end for 2006 , 2005 and 2004 all amounts had been remitted.

**Note 8 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

**Adams County Public Library**  
**Adams County**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2005 and 2006**

**Note 8 – Postemployment Benefits (continued)**

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, 2006, include a rate of return on investments of 6.50 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 0.5 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,914. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was \$58,804.

Actual employer contributions for 2006 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for the health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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# Mary Taylor, CPA

Auditor of State

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

Adams County Public Library  
Adams County  
157 High Street  
Peebles, Ohio 45660

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County Public Library, Adams County, Ohio (the Library), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 29, 2008. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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 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 did note a certain noncompliance or other matter that we reported to the Library's management in a separate letter dated February 29, 2008.

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.



**Mary Taylor, CPA**  
Auditor of State

February 29, 2008



Mary Taylor, CPA  
Auditor of State

**ADAMS COUNTY PUBLIC LIBRARY**

**ADAMS 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 25, 2008**