



**Auditor of State  
Betty Montgomery**



**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Carnegie Public Library  
Fayette County  
127 South North Street  
Washington Court House, Ohio 43160

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 Carnegie Public Library, Fayette County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carnegie Public Library, Fayette County, Ohio, as of December 31, 2004 and 2003, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2004 and 2003, 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* on an other comprehensive basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 23, 2005

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)**

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2004 and 2003, 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their *Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the *GASB Statement No. 34* permits the omission of the comparative information in the first year of adoption of the new reporting model, the Library has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Highlights**

Key highlights for 2004 and 2003 are as follows:

In 2004, the Library's net assets increased \$191,670 or 29% over 2003. Expenses relative to the completion of a new Library building in Jeffersonville in 2003 resulted in an increase in total disbursements, as compared to 2004. The fund most affected by the change in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs.

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF). In 2004, these receipts represent 88 percent of the total cash received for governmental activities during the year. In 2004, LLGSF revenue slightly increased \$6,489 or .7 percent.

**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.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

**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 Government as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2004 and 2003, within the limitations of cash basis accounting. The statement of net assets presents the pooled cash and cash equivalent balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. 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 physical plant, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the possible need for major local revenue sources.

**Reporting the Government'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.



**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

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 and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Government as a Whole**

Table 1 provides a summary of the Government's net assets for 2004 and 2003 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Cash and Cash Equivalents	\$843,057	\$651,387
Total Assets	843,057	651,387
<b>Net Assets</b>		
Restricted for:		
Capital Project	367,878	267,878
Other Purposes	10,000	10,000
Unrestricted	465,179	373,509
Total Net Assets	\$843,057	\$651,387

As mentioned previously, net assets of governmental activities in 2004 increased \$191,669 or 29% over 2003. The primary reasons contributing to these changes in cash balances are as follows:

- Library and Local Government Support Fund (LLGSF) was frozen in the 2002-2003 biennium budget at distribution levels of July 2000 – June 2001, and funding continued to be frozen into 2004.
- 2004 Salary totals decreased \$13,545 or 2.8 percent over 2003, though 3 percent increases were granted. This overall decrease was due to the retirement of several personnel and their subsequent replacement at a lower cost.
- The increase is also attributed, in part, to the Library's conscious efforts to minimize spending in light of unforeseen reductions in future local government funding.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

Table 2 reflects the changes in net assets in 2003 and 2004.

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

	Governmental Activities 2004	Governmental Activities 2003	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	23,286	23,162	124
Operating Grants and Contributions	2,909	3,652	(743)
Capital Grants and Contributions			0
Total Program Receipts	<u>26,195</u>	<u>26,814</u>	<u>(619)</u>
General Receipts:			0
Property and Other Local Taxes	1,044,205	1,037,716	6,489
Income Taxes			0
Unrestricted Gifts and Contributions	91,970	281	91,689
Interest	15,421	15,960	(539)
Miscellaneous	4,677	3,563	1,114
Total General Receipts	<u>1,156,273</u>	<u>1,057,520</u>	<u>98,753</u>
Total Receipts	<u>1,182,468</u>	<u>1,084,334</u>	<u>98,134</u>
			0
Disbursements:			0
Library Services:			0
Public Service and Programs	400,042	427,917	(27,875)
Collection Development and Processing	140,803	140,831	(28)
Support Services:			0
Facilities Operation and Maintenance	106,374	100,672	5,702
Information Services	14,943	19,517	(4,574)
Business Administration	284,089	278,045	6,044
Capital Outlay	44,547	130,409	(85,862)
Debt Service:			0
Interest and Fiscal Charges			0
Financing Fees and Costs			0
Total Disbursements	<u>990,798</u>	<u>1,097,391</u>	<u>(106,593)</u>
			0
Excess (Deficiency) Before Transfers	191,670	(13,057)	204,727
Transfers			0
Increase (Decrease) in Net Assets	<u>191,670</u>	<u>(13,057)</u>	<u>204,727</u>
			0
Net Assets, Beginning of Year	<u>651,387</u>	<u>664,444</u>	<u>(13,057)</u>
Net Assets, End of Year	<u><u>843,057</u></u>	<u><u>651,387</u></u>	<u><u>191,670</u></u>

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

In 2004, Program receipts represent only 2.2 percent of total receipts. In 2003, Program receipts represent 2.5 percent of the total. Program receipts are primarily comprised of charges for patron sales and services, such as fines and fees and coin-operated machine income, as well as restricted donations.

In 2004, General receipts represent 97.8 percent of the Library's total receipts, and of this amount, 90.3 percent is from the Library and Local Government Support Fund. Interest income, rental income, and unrestricted donations make up the balance of the Library's general receipts (9.7 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2003, General receipts represent 97.6 percent of the Library's total receipts, and of this amount 98.2 percent is from the Library and Local Government Support fund. Interest and rental income make up the balance of the Library's general receipts (1.8 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements in 2003 toward Capital Outlay were significantly greater than those in 2004, due to the final costs associated with the completion of the building project in Jeffersonville. Similarly, disbursements in 2003 in the area of Public Service were greater than those in 2004, due to the decrease in salaries in 2004 associated with the retirement of several long term employees.

**Governmental Activities**

If you look at the Statement of Activities on page 12 and 17, 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 next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and contributions received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2004	Net Cost Of Services 2004	Total Cost Of Services 2003	Net Cost Of Services 2003
Library Services:				
Public Service and Programs	400,042	(373,847)	427,917	(401,103)
Collection Development and Processing	140,803	(140,803)	140,831	(140,831)
Support Services:				
Facilities Operation and Maintenance	106,374	(106,374)	100,672	(100,672)
Information Services	14,943	(14,943)	19,517	(19,517)
Business Administration	284,089	(284,089)	278,045	(278,045)
Capital Outlay	44,547	(44,547)	130,409	(130,409)
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Financing Fees and Costs				
<b>Total Expenses</b>	<b>990,798</b>	<b>(964,603)</b>	<b>1,097,391</b>	<b>(1,070,577)</b>

The dependence upon Library and Local Government Support Funding is apparent as over 90 percent of governmental activities in both years are supported through these general receipts.

**The Government's Funds**

In 2004, total governmental funds had receipts of \$1,182,468 and disbursements of \$990,798. In 2003, total governmental funds had receipts of \$1,084,334 and disbursements of \$1,097,390. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased in 2004 \$91,670 (24.5%) and increased in 2003 \$9,813 (2.7%).

In 2004, General Fund receipts were more than disbursements by \$191,670. In 2003, General Fund receipts were more than disbursements by \$59,813. In 2003, \$72,870 was disbursed from the Building Fund toward the completion of the Jeffersonville Branch. It was the recommendation of the administration that a reduction in disbursements was necessary to maintain current service levels in the wake of a continuing funding freeze. Some of these reductions have already been implemented for 2005. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in the Library and Local Government Support Fund 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.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003  
(Unaudited)  
(Continued)**

During 2004 and 2003, the Library amended its General Fund budget several times to reflect changing circumstances. Total receipts budgeted in 2004 were \$17,568 greater than was budgeted. LLGSF funds came in \$81,795 less than were budgeted, but the loss of those funds was offset by an unrestricted donation of \$91,804. Total receipts budgeted in 2003 were \$80,540 less than were budgeted, due to a shortfall in LLGSF receipts of \$88,358.

In 2004 final disbursements were budgeted at \$1,538,409 while actual disbursements were \$990,798. In 2003, final disbursements were budgeted at \$1,528,570 while actual disbursements were \$1,024,521. Although receipts failed to live up to expectations, appropriations were not reduced. The Library kept spending below budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance for 2003 of \$9,813, and for 2004 of \$91,670.

**Capital Assets and Debt Administration**

Capital Assets

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

Debt

The Library had no debt during the period January 1, 2003 through December 31, 2004.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Library and Local Government Support Fund. Our newly prepared financial budget predicts a continuing carryover of cash for 2006; however, the administration implemented a strategy to decrease spending in the wake of decreasing revenue. This plan became effective for 2005. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library. We have re-directed funds for collection development toward programming. We have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to reduce their spending for supplies by 5 percent.

**Contacting the Government's Financial Management**

This financial report is designed to provide our taxpayers and patrons 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 Susan A. Maurer, Clerk-Treasurer, Carnegie Public Library, 127 South North Street, Washington Court House, Ohio 43160.

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**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2004**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalentents	<u>\$843,057</u>
Total Assets	<u><u>\$843,057</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$367,878
Permanent Fund Purpose	
Nonexpendable	10,000
Unrestricted	<u>465,179</u>
Total Net Assets	<u><u>\$843,057</u></u>

*See accompanying notes to the basic financial statements*

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Library Services:				
Public Service and Programs	400,042	23,286	2,909	(\$373,847)
Collection Development and Processing	140,803			(140,803)
Support Services:				
Facilities Operation and Maintenance	106,374			(106,374)
Information Services	14,943			(14,943)
Business Administration	284,089			(284,089)
Capital Outlay	44,547			(44,547)
Total Governmental Activities	<u>\$990,798</u>	<u>\$23,286</u>	<u>\$2,909</u>	<u>\$0</u>
 <b>General Receipts</b>				
				1,044,205
				91,970
				15,421
				4,677
				<u>1,156,273</u>
				191,670
				<u>651,387</u>
				<u>\$843,057</u>

See accompanying notes to the basic financial statements



**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$465,179	\$367,878	\$10,000	\$843,057
Total Assets	<u>\$465,179</u>	<u>\$367,878</u>	<u>\$10,000</u>	<u>\$843,057</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	10,414			10,414
Reserved for Permanent Fund (Non-Expendable Portion)			10,000	10,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	454,765			454,765
Building & Repair Fund		367,878		367,878
Total Fund Balances	<u>\$465,179</u>	<u>\$367,878</u>	<u>\$10,000</u>	<u>\$843,057</u>

*See accompanying notes to the basic financial statements*

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Library & Local Government Support Fund	\$1,044,205			\$1,044,205
Patron Fines and Fees	19,647			19,647
Contributions, Gifts and Donations	94,879			94,879
Earnings on Investments	15,421			15,421
Miscellaneous	8,316			8,316
<i>Total Receipts</i>	<u>1,182,468</u>	<u>0</u>	<u>0</u>	<u>1,182,468</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	400,042			400,042
Collection Development and Processing	140,803			140,803
Support Services:				
Facilities Operation and Maintenance	106,374			106,374
Information Services	14,943			14,943
Business Administration	284,089			284,089
Capital Outlay	44,547			44,547
<i>Total Disbursements</i>	<u>990,798</u>	<u>0</u>	<u>0</u>	<u>990,798</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>191,670</u>	<u>0</u>	<u>0</u>	<u>191,670</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		100,000		100,000
Transfers Out	(100,000)			(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	91,670	100,000	0	191,670
<i>Fund Balances Beginning of Year</i>	<u>373,509</u>	<u>267,878</u>	<u>10,000</u>	<u>651,387</u>
<i>Fund Balances End of Year</i>	<u>\$465,179</u>	<u>\$367,878</u>	<u>\$10,000</u>	<u>\$843,057</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library & Local Government Support	\$1,126,000	\$1,126,000	\$1,044,205	(\$81,795)
Patron Fines and Fees	16,500	16,500	19,647	3,147
Contributions, Gifts and Donations	500	500	94,879	94,379
Earnings on Investments	17,200	17,200	15,421	(1,779)
Miscellaneous	4,700	4,700	8,316	3,616
<i>Total receipts</i>	<u>1,164,900</u>	<u>1,164,900</u>	<u>1,182,468</u>	<u>17,568</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	417,646	434,927	405,255	29,672
Collection Development and Processing	157,917	164,317	144,769	19,548
Support Services:				
Facilities Operation and Maintenance	100,870	132,309	106,390	25,919
Information Services	25,300	27,300	14,943	12,357
Business Administration	328,564	333,781	285,308	48,473
Capital Outlay	183,862	445,775	44,547	401,228
<i>Total Disbursements</i>	<u>1,214,159</u>	<u>1,538,409</u>	<u>1,001,212</u>	<u>537,197</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,259)</u>	<u>(373,509)</u>	<u>181,256</u>	<u>554,765</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out			(100,000)	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
<i>Net Change in Fund Balance</i>	(49,259)	(373,509)	81,256	454,765
<i>Fund Balance Beginning of Year</i>	354,265	354,265	354,265	0
Prior Year Encumbrances Appropriated	19,244	19,244	19,244	0
<i>Fund Balance End of Year</i>	<u>\$324,250</u>	<u>\$0</u>	<u>\$454,765</u>	<u>\$454,765</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2003**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$651,387</u>
<i>Total Assets</i>	<u><u>651,387</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	267,878
Permanent Fund Purpose	
Nonexpendable	10,000
Unrestricted	<u>373,509</u>
Total Net Assets	<u><u>\$651,387</u></u>

*See accompanying notes to the basic financial statements*

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	427,917	23,162	3,652		(\$401,103)
Collection Development and Processing	140,831				(140,831)
Support Services:					
Facilities Operation and Maintenance	100,672				(100,672)
Information Services	19,517				(19,517)
Business Administration	278,045				(278,045)
Capital Outlay	130,409				(130,409)
<b>Total Governmental Activities</b>	<b>\$1,097,391</b>	<b>\$23,162</b>	<b>\$3,652</b>	<b>\$0</b>	<b>(1,070,577)</b>
 <b>General Receipts</b>					
					1,037,716
					281
					15,960
					3,563
					<b>Total General Receipts</b>
					1,057,520
					(13,057)
					664,444
					<b>Net Assets End of Year</b>
					<b>\$651,387</b>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2003**

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$373,509	\$267,878	\$10,000	\$651,387
<i>Total Assets</i>	<u>\$373,509</u>	<u>\$267,878</u>	<u>\$10,000</u>	<u>\$651,387</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	19,244			19,244
Reserved for Permanent Fund (Non-Expendable Portion)			10,000	10,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	354,265			354,265
Building & Repair Fund		267,878		267,878
<i>Total Fund Balances</i>	<u>\$373,509</u>	<u>\$267,878</u>	<u>\$10,000</u>	<u>\$651,387</u>

*See accompanying notes to the basic financial statements*

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Library & Local Government Support Fund	\$1,037,716			\$1,037,716
Patron Fines and Fees	19,061			19,061
Contributions, Gifts and Donations	3,933			3,933
Earnings on Investments	15,960			15,960
Miscellaneous	7,664			7,664
<i>Total Receipts</i>	<u>1,084,334</u>	<u>0</u>	<u>0</u>	<u>1,084,334</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	427,917			427,917
Collection Development and Processing	140,831			140,831
Support Services:				
Facilities Operation and Maintenance	100,672			100,672
Information Services	19,517			19,517
Business Administration	278,045			278,045
Capital Outlay	57,539	72,870		130,409
<i>Total Disbursements</i>	<u>1,024,521</u>	<u>72,870</u>	<u>0</u>	<u>1,097,391</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>59,813</u>	<u>(72,870)</u>	<u>0</u>	<u>(13,057)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		50,000		50,000
Transfers Out	(50,000)	0		(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	9,813	(22,870)	0	(13,057)
<i>Fund Balances Beginning of Year</i>	<u>363,696</u>	<u>290,748</u>	<u>10,000</u>	<u>664,444</u>
<i>Fund Balances End of Year</i>	<u>\$373,509</u>	<u>\$267,878</u>	<u>\$10,000</u>	<u>\$651,387</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library & Local Government Support	\$1,126,074	\$1,126,074	\$1,037,716	(\$88,358)
Patron Fines and Fees	16,500	16,500	19,061	2,561
Contributions, Gifts and Donations	500	500	3,933	3,433
Earnings on Investments	17,200	17,200	15,960	(1,240)
Miscellaneous	4,600	4,600	7,664	3,064
<i>Total receipts</i>	<u>1,164,874</u>	<u>1,164,874</u>	<u>1,084,334</u>	<u>(80,540)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	427,790	457,308	435,733	21,575
Collection Development and Processing	184,345	189,514	149,048	40,466
Support Services:				
Facilities Operation and Maintenance	126,405	129,966	102,416	27,550
Information Services	22,275	24,892	19,517	5,375
Business Administration	294,270	297,428	278,065	19,363
Capital Outlay	208,027	429,462	58,985	370,477
<i>Total Disbursements</i>	<u>1,263,112</u>	<u>1,528,570</u>	<u>1,043,764</u>	<u>484,806</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(98,238)</u>	<u>(363,696)</u>	<u>40,570</u>	<u>404,266</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out			(50,000)	(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(50,000)</u>	<u>(50,000)</u>
<i>Net Change in Fund Balance</i>	(98,238)	(363,696)	(9,430)	354,266
<i>Fund Balance Beginning of Year</i>	304,451	304,451	304,451	0
Prior Year Encumbrances Appropriated	59,245	59,245	59,245	0
<i>Fund Balance End of Year</i>	<u>\$265,458</u>	<u>\$0</u>	<u>\$354,266</u>	<u>\$354,266</u>

See accompanying notes to the basic financial statements



**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

The Carnegie Public Library, Fayette County, Ohio (the Library), was organized as a municipal public library in 1891 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the City of Washington. Appointments are for four 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 City of Washington, although the City serves in a ministerial capacity as the taxing authority for the Library.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services 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 is self-financing on a cash basis or draws from the Library's general receipts.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

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.

Governmental Funds

Governmental funds are financed primarily from library and local government receipts, 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.

**C. Basis of Accounting**

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

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

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**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 major category of the object code level for all funds. The Clerk/Treasurer maintains budgetary information at the fund and object levels. Budgetary modifications beyond the major category of the object code level may only be made by resolution of the Board of Library Trustees.

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

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

**E. Cash and Cash Equivalents**

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

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

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

During 2004, investments were limited to STAR Ohio and nonnegotiable certificates of deposit.

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 Rule2a7 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, 2004.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$15,421. Interest revenue credited to the general fund during 2003 amounted to \$15,960.

**F. 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.

**G. 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Net Assets**

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

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**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 for the general fund is presented 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 are outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end 2004 (budgetary basis) amounted to \$10,414 for the general fund. The encumbrances outstanding at year end 2003 (budgetary basis) amounted to \$19,244.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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.

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

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

At year end, the Library had \$60 in undeposited cash on hand which is included on the balance sheet 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 \$323,470 and the bank balance was \$340,273. Of the bank balance \$110,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

	Category	Cost	Carrying Value
STAR Ohio	N/A	\$519,587	\$519,587
Total Investments		\$519,587	\$519,587

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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 2003 and 2004, the Library contracted with several companies for various types of insurance coverage as follows:

	Type of Coverage		Coverage
	Commercial Property-Bldg		\$1,772,381
	Commercial Property-Personal		\$1,185,000
	Vehicle		\$1,000,000
	Errors and Omissions		\$1,000,000
	Equipment Breakdown		\$2,957,381

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.

**6. 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 LLGSF is allocated 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.

**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.

**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

For the years ended December 31, 2004 and December 31, 2003, 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 2004 was 13.55 percent. 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, 2004, 2003, and 2002 were \$62,269, \$76,929 and \$60,327 respectively; At year end, 92 percent has been contributed for 2004 and 100 percent for 2003 and 2002.

**8. 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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$20,448. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.



**CARNEGIE PUBLIC LIBRARY  
FAYETTE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**9. INTERFUND TRANSFERS**

In 2004, the general fund transferred \$100,000 to the building and repair capital projects fund for the purchase and maintenance of various items throughout the Library. In 2003, the general fund transferred \$50,000 to the building and repair capital projects fund. These transfers are eliminated in the Statement of Activities.

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**Auditor of State  
Betty Montgomery**

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

Carnegie Public Library  
Fayette County  
127 South North Street  
Washington Court House, Ohio 43160

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 Carnegie Public Library, Fayette County, Ohio (the Library), as of and for the year ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 23, 2005 wherein we noted that the Library uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated September 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

Carnegie Public Library  
Fayette County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
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We intend this report solely for the information and use of the audit committee, management, Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 23, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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Facsimile 614-466-4490

**CARNEGIE PUBLIC LIBRARY  
FAYETTE 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  
OCTOBER 13, 2005**