



**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31 2005 AND 2004



**Auditor of State
Betty Montgomery**

**FOREST- JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

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**Auditor of State
Betty Montgomery**

Forest - Jackson Public Library
Hardin County
102 West Lima Street
Forest, Ohio 45843

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 22, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Forest - Jackson Public Library
Hardin County
102 West Lima Street
Forest, Ohio 45843

To the Board of Trustees:

We have audited the accompanying financial statements of Forest – Jackson Public, Library, Hardin County, (the “Library”) as of and for the years ended December 31, 2004 and 2005. These financial statements are the responsibility of the Library’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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. Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government 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 § 117.101 requires the Auditor of State to provide UAN services, and 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require Library’s to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrance of the Library, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 22, 2006

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Library and Other Local Taxes	\$101,375			\$101,375
Patron Fines and Fees	2,804			2,804
Earnings on Investments	956			956
Contributions, Gifts and Donation	2,552	13,534	2,609	18,695
Miscellaneous	613			613
	<u>108,300</u>	<u>13,534</u>	<u>2,609</u>	<u>124,443</u>
Cash Disbursements:				
Current:				
Salaries	45,324			45,324
Benefits	6,820			6,820
Supplies	3,432			3,432
Purchased and Contracted Services	24,653			24,653
Library Materials and Information	18,472			18,472
Miscellaneous	996			996
Capital Outlay	2,657		23,000	25,657
Debt Service:				
Redemption of Principal		22,962		22,962
Interest and Other Fiscal Charges		657		657
	<u>102,354</u>	<u>23,619</u>	<u>23,000</u>	<u>148,973</u>
Total Receipts Over/(Under) Disbursements	<u>5,946</u>	<u>(10,085)</u>	<u>(20,391)</u>	<u>(24,530)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds			23,000	23,000
Transfers-In		7,222		7,222
Transfers-Out	(728)		(6,494)	(7,222)
	<u>(728)</u>	<u>7,222</u>	<u>16,506</u>	<u>23,000</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,218	(2,863)	(3,885)	(1,530)
Fund Cash Balances, January 1	<u>26,374</u>	<u>2,863</u>	<u>6,494</u>	<u>35,731</u>
Fund Cash Balances, December 31	<u><u>\$31,592</u></u>	<u><u>\$0</u></u>	<u><u>\$2,609</u></u>	<u><u>\$34,201</u></u>
Reserve for Encumbrances	<u>\$783</u>			<u>\$783</u>

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

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Library and Other Local Government Support	\$100,450			\$100,450
Patron Fines and Fees	2,874			2,874
Contributions, Gifts and Donation	2,120	8,503	6,494	17,117
Earnings on Investments	243			243
Miscellaneous	507			507
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	106,194	8,503	6,494	121,191
Cash Disbursements:				
Current:				
Salaries	44,693			44,693
Benefits	6,696			6,696
Supplies	3,288			3,288
Purchased and Contracted Services	26,059			26,059
Library Materials and Information	20,415			20,415
Miscellaneous	1,942			1,942
Capital Outlay	1,835			1,835
Debt Service:				
Redemption of Principal		2,700		2,700
Interest and Other Fiscal Charges		24,058		24,058
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	104,928	26,758		131,686
Total Receipts Over (Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	1,266	(18,255)	6,494	(10,495)
Other Financing Receipts and (Disbursements):				
Transfers-In		2,793		2,793
Transfers-Out			(2,793)	(2,793)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)		2,793	(2,793)	
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	1,266	(15,462)	3,701	(10,495)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	25,108	18,325	2,793	46,226
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$26,374	\$2,863	\$6,494	\$35,731
Reserve for Encumbrances	<hr/>	<hr/>	<hr/>	<hr/>
	\$784			\$784

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

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Forest - Jackson Public Library, Hardin County, (the "Library"), as a body corporate and politic. Riverdale Local School District Board of Education appointed a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is recorded at the share value reported by the fund.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following capital project fund:

Building and Repair Fund – This fund receives revenue that is restricted for acquisition or construction of capital projects.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Library's Debt Service Fund is used to account for donations to be used to pay any outstanding debt of Library.

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave and sick leave are not reflected as a liability under the basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand deposits	\$24,517	\$26,338
STAR Ohio	9,664	9,373
Total deposits and investments	34,181	35,711
Petty cash	20	20
Total deposits, investments, and cash	\$34,201	\$35,731

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,270	\$108,300	(\$970)
Debt Service	23,816	20,756	(3,060)
Capital Projects	23,000	25,609	2,609
Total	\$156,086	\$154,665	(\$1,421)

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$135,535	\$103,865	\$31,670
Debt Service	26,680	23,619	3,061
Capital Projects	29,494	29,494	0
Total	<u>\$191,709</u>	<u>\$156,978</u>	<u>\$34,731</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,672	\$106,194	\$1,522
Debt Service	9,566	11,296	1,730
Capital Projects	35,000	6,494	(28,506)
Total	<u>\$149,238</u>	<u>\$123,984</u>	<u>(\$25,254)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,698	\$105,712	\$23,986
Debt Service	27,890	26,758	1,132
Capital Projects	37,793	2,793	35,000
Total	<u>\$195,381</u>	<u>\$135,263</u>	<u>\$60,118</u>

4. GRANTS-IN-AID

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 account of any additional revenues the Library receives.

5. DEBT

On December 12, 2001, the Library issued \$116,000 of Library Fund Library Facilities Notes for the purpose of paying part of the costs of acquiring land and a building and renovation the same for the Library. The Notes were sold to the United States Department of Agriculture. This debt was paid in full during January, 2004.

On May 2005, the Library borrowed \$ 23,000 from Community First Bank for a roof project. This debt, including \$619 in interest, was paid in full during 2005.

**FOREST - JACKSON PUBLIC LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions



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*

Forest - Jackson Public Library
Hardin County
102 West Lima Street
Forest, OH 45843

To the Board of Trustees:

We have audited the financial statements of the Forest - Jackson Public Library, Hardin County, (the "Library"), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 22, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion 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.

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
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Forest - Jackson Public Library
Hardin County
Independent Accountants' Report on Internal Control
Over Financial Reporting and Compliance and Other
Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the 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

August 22, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FOREST - JACKSON PUBLIC LIBRARY

HARDIN 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 5, 2006**