

**GRANDVIEW HEIGHTS PUBLIC LIBRARY
FRANKLIN COUNTY, OHIO**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Grandview Heights Public Library
1685 West First Street
Columbus, Ohio 43212

We have reviewed the *Independent Auditor's Report* of the Grandview Heights Public Library, Franklin County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Grandview Heights Public Library is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

November 9, 2006

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Grandview Heights Public Library, Franklin County

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Grandview Heights Public Library
1685 West First Ave.
Columbus, Ohio 43212

To the Trustees of Grandview Heights Public Library:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grandview Heights Public Library, Franklin County, Ohio (the Library), as of and for the years ended December 31, 2005 and December 31, 2004, 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 1, the accompanying financial statements and notes follow the modified 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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grandview Heights Public Library, Franklin County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the General Fund for the years then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2004, 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*. This change is described in Note 3 to the Basic Financial Statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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, 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* and should be read 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 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
September 28, 2006

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
For the Years Ended December 31, 2005, and December 31, 2004
(UNAUDITED)

This discussion and analysis of the Grandview Heights Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

Highlights

- The Library's total net assets increased by \$109,309, or 5.6% from 2004 to 2005. Net assets increased \$36,599 or 1.9% from 2003 to 2004.
- From 2004 to 2005, the general fund balance increased \$286,289 or 69.1%. The general fund balance increased from 2003 to 2004 by \$292,405, or 240%.
- During 2005, general expenditures increased 1.8% over the prior year, while general revenues increased 1.4%. During 2004, revenues outpaced expenditures as general revenues increased 7.6%, and general expenditures decreased 9.3% over the prior year.

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 Government's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Government as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Government has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
For the Years Ended December 31, 2005, and December 31, 2004
(UNAUDITED)

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Government did financially during 2004 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other nonfinancial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Government reports only Governmental activities.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government 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 Government are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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 Government's programs. The Government'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 Government's only major governmental funds are the General, Debt Service, Building, and Endowment Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs.

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
For the Years Ended December 31, 2005, and December 31, 2004
 (UNAUDITED)

The Library as a Whole

Recall that the Statement of Net Assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis.

TABLE 1

Net Assets
Governmental Activities

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets	<u>\$ 2,067,397</u>	<u>\$ 1,958,088</u>
Total Assets	<u>2,067,397</u>	<u>1,958,088</u>
 Net Assets		
Restricted	547,729	750,374
Unrestricted	<u>1,519,668</u>	<u>1,207,714</u>
Total Net Assets	<u><u>\$ 2,067,397</u></u>	<u><u>\$ 1,958,088</u></u>

A portion of the Library's net assets (2.6% and 3.8% as of December 31, 2005 and 2004, respectively) represents resources that are subject to external restrictions on how they may be used. The unrestricted net asset amount is available to meet the ongoing obligations to citizens and creditors.

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
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(UNAUDITED)

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2005 and 2004.

TABLE 2

	<u>2005</u>	<u>2004</u>
Changes in Net Assets		
Governmental Activities		
Revenues:		
Program Revenues		
Charges for Services	\$ 116,803	\$ 111,826
Operating Grants	73,313	32,500
Total Program Revenues	<u>190,116</u>	<u>144,326</u>
General Revenues		
Taxes	700,260	718,973
Grants and Entitlements	1,809,161	1,798,903
Other Revenue	115,983	126,139
Total General Revenue	<u>2,625,404</u>	<u>2,644,015</u>
Total Revenues	<u>2,815,520</u>	<u>2,788,341</u>
Expenses:		
Program Expenses		
Public Service and Programs	1,240,909	1,284,437
Collection Development and Processing	390,708	323,872
Facilities Operation and Maintenance	224,253	225,625
Information Services	171,090	172,742
Business Administration	445,452	417,195
Capital Outlay	19,120	114,441
Debt Service	214,679	213,430
Total Expenses	<u>2,706,211</u>	<u>2,751,742</u>
Changes in Net Assets	<u>\$ 109,309</u>	<u>\$ 36,599</u>

For 2005, General revenues comprised 93.2% of the Library's revenues with property taxes and unrestricted state entitlements being the primary contributors. For 2004, the percentage was 94.8%. Public service and programs and collection development and processing are the major activities of the Library, accounting for 45.8% and 14.4% of total expenses, respectively, for 2005, and 46.7% and 11.8%, respectively for 2004.

The increase in the Library's net assets during the fiscal year is attributed to the Library's conscious efforts to minimize spending in light of foreseen reductions in future local government funding.

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
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(UNAUDITED)

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. The net cost of program services must be supported by general revenues including tax revenue and unrestricted state entitlements.

TABLE 3

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Library Services:				
Public Service and Programs	\$ 1,240,909	\$ 1,151,909	\$ 1,284,437	\$ 1,204,689
Collection Development and Processing	390,708	289,592	323,872	283,794
Support Services				
Facilities and Operation Maintenance	224,253	224,253	225,625	225,625
Information Services	171,090	171,090	172,742	148,242
Business Administration	445,452	445,452	417,195	417,195
Capital Outlay	19,120	19,120	114,441	114,441
Debt Service	214,679	214,679	213,430	213,430
Total Expense	\$ 2,706,211	\$ 2,516,095	\$ 2,751,742	\$ 2,607,416

The library's reliance on general revenues is indicated by the net cost of services column reflecting the need for \$2.5 million of support in 2005 and \$2.6 million of support in 2004, as well as Table 2 on the preceding page demonstrating that general revenues comprise 94.1% of the Library's total revenues.

The Library's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of 2005 and 2004, the Library's governmental funds reported combined ending fund balances of \$2.1 and \$2.0 million, respectively. Approximately 73.5% and 61.1% of this amount constituted unreserved fund balance, as of the end of 2005 and 2004, respectively, which is available for spending at the library's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to debt service charges.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$ 700,446	\$ 414,157	\$ 286,289
Debt Service	547,729	762,408	(214,679)
Building	294,342	304,297	(9,955)
Endowment	524,880	489,260	35,620
Other Governmental	-	(12,034)	12,034
Total	\$ 2,067,397	\$ 1,958,088	\$ 109,309

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
For the Years Ended December 31, 2005, and December 31, 2004
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The general fund is the chief operating fund of the Library. At the end of 2005 and 2004, unreserved fund balance of the general fund was \$700,446 and 414,157, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 28.5% and 17.4% of total general fund expenditures for 2005 and 2004, respectively.

The tables and graphs that follow assist in illustrating the financial activities and corresponding increase in fund balance of the Library's general fund.

General Fund Revenue Comparative Analysis

<u>Revenues</u>	<u>2005</u>	<u>2004</u>	<u>Percentage Change</u>
General Taxes	\$700,260	\$718,973	-2.60%
Intergovernmental	1,809,161	1,798,903	0.57%
Other	198,561	152,953	29.82%
Total	<u>\$2,707,982</u>	<u>\$2,670,829</u>	1.39%

As the chart below illustrates, the largest portions of general fund expenditures are for salaries and fringe benefits, which comprise 67.2% and 67.1% of general fund expenditures in 2005 and 2004, respectively. The Library is a service entity and as such is labor intensive.

<u>Expenditures by Object:</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Percentage Change</u>
Salaries & Benefits	\$ 1,626,694	\$ 1,642,515	\$ (15,821)	-0.96%
Purchased Services	379,068	349,692	29,376	8.40%
Library Materials	376,648	303,888	72,760	23.94%
Other	39,283	82,329	(43,046)	-52.29%
Total	<u>\$ 2,421,693</u>	<u>\$ 2,378,424</u>	<u>\$ 43,269</u>	1.82%

Grandview Heights Public Library, Franklin County
Management's Discussion & Analysis
For the Years Ended December 31, 2005, and December 31, 2004
(UNAUDITED)

General Fund Budget Information

The Library's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For 2005, the Library did not amend its total appropriation amount during the year. The final revenue estimate was \$51,991 less than the original estimate.

For 2004, the final amended appropriation measure for the general fund exceeded the original appropriation measure by \$21,000, or 0.8%. There were no amendments to the original revenue estimate.

For 2005, the Library's general fund actual revenues exceeded the final estimated revenue amount by \$77,990, or 2.6%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$193,410 or 7.4%.

For 2004, the Library's general fund actual revenues exceeded the final estimated revenue amount by \$170,304, or 6.8%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$242,572 or 9.3%.

Debt Administration

The Library's outstanding debt included mortgage revenue bonds with outstanding principal balances as of December 31, 2005 and 2004, in the amounts of \$400,000 and \$580,000, respectively. For further information regarding the Library's debt, refer to Note 14 to the basic financial statements.

Restrictions and Other Limitations

The uncertain future of state entitlement funding continues to be a major challenge facing the Library.

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 demonstrate the Library's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact the Clerk-Treasurer, 1685 West First Avenue, Columbus, Ohio 43212.

Gandview Heights Public Library, Franklin County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,542,517
Beneficial Interest in Assets Held by Others	<u>524,880</u>
<i>Total Assets</i>	<u><u>2,067,397</u></u>
Net Assets	
Restricted for:	
Debt Service	547,729
Other Purposes	819,222
Unrestricted	<u>700,446</u>
<i>Total Net Assets</i>	<u><u>\$ 2,067,397</u></u>

See accompanying notes to the basic financial statements.

Gandview Heights Public Library, Franklin County

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,468,828
Beneficial Interest in Assets Held by Others	<u>489,260</u>
<i>Total Assets</i>	<u><u>1,958,088</u></u>
Net Assets	
Restricted for:	
Debt Service	762,408
Other Purposes	781,523
Unrestricted	<u>414,157</u>
<i>Total Net Assets</i>	<u><u>\$ 1,958,088</u></u>

See accompanying notes to the basic financial statements.

Gandview Heights Public Library, Franklin County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 1,240,909	\$ 76,520	\$ 12,480	\$ (1,151,909)
Collection Development and Processing	390,708	40,283	60,833	(289,592)
Support Services:				
Facilities Operation and Maintenance	224,253	-	-	(224,253)
Information Services	171,090	-	-	(171,090)
Business Administration	445,452	-	-	(445,452)
Capital Outlay	19,120	-	-	(19,120)
Debt Service:				
Principal Retirement	185,000	-	-	(185,000)
Interest and Fiscal Charges	29,679	-	-	(29,679)
Total Governmental Activities	\$ 2,706,211	\$ 116,803	\$ 73,313	(2,516,095)
General Receipts				
Property Taxes Levied for General Purposes				700,260
Unrestricted Gifts and Contributions				20,611
Grants and Entitlements not Restricted to Specific Programs				1,809,161
Interest				72,207
Miscellaneous				23,165
Total General Receipts				2,625,404
Change in Net Assets				109,309
<i>Net Assets Beginning of Year</i>				<u>1,958,088</u>
<i>Net Assets End of Year</i>				<u><u>\$ 2,067,397</u></u>

See accompanying notes to the basic financial statements.

Gandview Heights Public Library, Franklin County

Statement of Activities - Modified 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	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 1,284,437	\$ 79,748	\$ -	\$ (1,204,689)
Collection Development and Processing	323,872	32,078	8,000	(283,794)
Support Services:				
Facilities Operation and Maintenance	225,625	-	-	(225,625)
Information Services	172,742	-	24,500	(148,242)
Business Administration	417,195	-	-	(417,195)
Capital Outlay	114,441	-	-	(114,441)
Debt Service:				
Principal Retirement	175,000	-	-	(175,000)
Interest and Fiscal Charges	38,430	-	-	(38,430)
Total Governmental Activities	\$ 2,751,742	\$ 111,826	\$ 32,500	(2,607,416)
General Receipts				
Property Taxes Levied for General Purposes				718,973
Unrestricted Gifts and Contributions				41,703
Grants and Entitlements not Restricted to Specific Programs				1,798,903
Interest				63,257
Miscellaneous				21,179
Total General Receipts				2,644,015
Change in Net Assets				36,599
<i>Net Assets Beginning of Year</i>				<u>1,921,489</u>
<i>Net Assets End of Year</i>				<u>\$ 1,958,088</u>

See accompanying notes to the basic financial statements.

Gandview Heights Public Library, Franklin County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 700,446	\$ 547,729	\$ 294,342	\$ -	\$ -	\$ 1,542,517
Beneficial Interest in Assets Held by Others	-	-	-	524,880	-	524,880
<i>Total Assets</i>	<u>700,446</u>	<u>547,729</u>	<u>294,342</u>	<u>524,880</u>	<u>-</u>	<u>2,067,397</u>
Fund Balances						
Reserved:						
Reserved for Debt Service	-	547,729	-	-	-	547,729
Unreserved:						
Undesignated, Reported in:						
General Fund	700,446	-	-	-	-	700,446
Special Revenue Funds	-	-	-	524,880	-	524,880
Capital Projects Funds	-	-	294,342	-	-	294,342
<i>Total Fund Balances</i>	<u>\$ 700,446</u>	<u>\$ 547,729</u>	<u>\$ 294,342</u>	<u>\$ 524,880</u>	<u>\$ -</u>	<u>\$ 2,067,397</u>

See accompanying notes to the basic financial statements.

Gandview Heights Public Library, Franklin County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2004

	<u>General</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 414,157	\$ 762,408	\$ 304,297	\$ -	\$ (12,034)	\$ 1,468,828
Beneficial Interest in Assets Held by Others	-	-	-	489,260	-	489,260
<i>Total Assets</i>	<u>414,157</u>	<u>762,408</u>	<u>304,297</u>	<u>489,260</u>	<u>(12,034)</u>	<u>1,958,088</u>
Fund Balances						
Reserved:						
Reserved for Debt Service	-	762,408	-	-	-	762,408
Unreserved:						
Undesignated, Reported in:						
General Fund	414,157	-	-	-	-	414,157
Special Revenue Funds	-	-	-	489,260	(12,034)	477,226
Capital Projects Funds	-	-	304,297	-	-	304,297
<i>Total Fund Balances</i>	<u>\$ 414,157</u>	<u>\$ 762,408</u>	<u>\$ 304,297</u>	<u>\$ 489,260</u>	<u>\$ (12,034)</u>	<u>\$ 1,958,088</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Debt Service Fund	Building Fund	Endowment Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 700,260	\$ -	\$ -	\$ -	\$ -	\$ 700,260
Intergovernmental	1,809,161	-	-	-	60,833	1,869,994
Patron Fines and Fees	76,520	-	-	-	-	76,520
Services Provided to Other Entities	40,283	-	-	-	-	40,283
Contributions, Gifts and Donations	29,560	-	-	3,531	-	33,091
Earnings on Investments	29,033	-	9,259	33,915	-	72,207
Miscellaneous	23,165	-	-	-	-	23,165
<i>Total Receipts</i>	<u>2,707,982</u>	<u>-</u>	<u>9,259</u>	<u>37,446</u>	<u>60,833</u>	<u>2,815,520</u>
Disbursements						
Current:						
Library Services:						
Public Service and Programs	1,230,525	-	4,275	-	6,109	1,240,909
Collection Development and Processing	333,079	-	14,939	-	42,690	390,708
Support Services:						
Facilities Operation and Maintenance	224,253	-	-	-	-	224,253
Information Services	171,090	-	-	-	-	171,090
Business Administration	443,626	-	-	1,826	-	445,452
Capital Outlay	19,120	-	-	-	-	19,120
Debt Service:						
Principal Retirement	-	185,000	-	-	-	185,000
Interest and Fiscal Charges	-	29,679	-	-	-	29,679
<i>Total Disbursements</i>	<u>2,421,693</u>	<u>214,679</u>	<u>19,214</u>	<u>1,826</u>	<u>48,799</u>	<u>2,706,211</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>286,289</u>	<u>(214,679)</u>	<u>(9,955)</u>	<u>35,620</u>	<u>12,034</u>	<u>109,309</u>
<i>Net Change in Fund Balances</i>	286,289	(214,679)	(9,955)	35,620	12,034	109,309
<i>Fund Balances Beginning of Year (as restated)</i>	<u>414,157</u>	<u>762,408</u>	<u>304,297</u>	<u>489,260</u>	<u>(12,034)</u>	<u>1,958,088</u>
<i>Fund Balances End of Year</i>	<u>\$ 700,446</u>	<u>\$ 547,729</u>	<u>\$ 294,342</u>	<u>\$ 524,880</u>	<u>\$ -</u>	<u>\$ 2,067,397</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Debt Service Fund	Building Fund	Endowment Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 718,973	\$ -	\$ -	\$ -	\$ -	\$ 718,973
Intergovernmental	1,798,903	-	-	-	32,500	1,831,403
Patron Fines and Fees	79,748	-	-	-	-	79,748
Services Provided to Other Entities	32,078	-	-	-	-	32,078
Contributions, Gifts and Donations	10,685	-	-	31,018	-	41,703
Earnings on Investments	14,597	-	4,871	43,789	-	63,257
Miscellaneous	15,845	-	-	5,334	-	21,179
<i>Total Receipts</i>	<u>2,670,829</u>	<u>-</u>	<u>4,871</u>	<u>80,141</u>	<u>32,500</u>	<u>2,788,341</u>
Disbursements						
Current:						
Library Services:						
Public Service and Programs	1,262,341	-	-	22,096	-	1,284,437
Collection Development and Processing	303,838	-	-	-	20,034	323,872
Support Services:						
Facilities Operation and Maintenance	225,625	-	-	-	-	225,625
Information Services	148,242	-	-	-	24,500	172,742
Business Administration	417,195	-	-	-	-	417,195
Capital Outlay	21,183	-	93,258	-	-	114,441
Debt Service:						
Principal Retirement	-	175,000	-	-	-	175,000
Interest and Fiscal Charges	-	38,430	-	-	-	38,430
<i>Total Disbursements</i>	<u>2,378,424</u>	<u>213,430</u>	<u>93,258</u>	<u>22,096</u>	<u>44,534</u>	<u>2,751,742</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>292,405</u>	<u>(213,430)</u>	<u>(88,387)</u>	<u>58,045</u>	<u>(12,034)</u>	<u>36,599</u>
<i>Net Change in Fund Balances</i>	292,405	(213,430)	(88,387)	58,045	(12,034)	36,599
<i>Fund Balances Beginning of Year (as restated)</i>	<u>121,752</u>	<u>975,838</u>	<u>392,684</u>	<u>431,215</u>	<u>-</u>	<u>1,921,489</u>
<i>Fund Balances End of Year</i>	<u>\$ 414,157</u>	<u>\$ 762,408</u>	<u>\$ 304,297</u>	<u>\$ 489,260</u>	<u>\$ (12,034)</u>	<u>\$ 1,958,088</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin 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		
Receipts				
Property and Other Local Taxes	\$ 717,574	\$ 717,574	\$ 700,260	\$ (17,314)
Intergovernmental	1,824,668	1,772,677	1,809,161	36,484
Patron Fines and Fees	77,500	77,500	76,520	(980)
Services Provided to Other Entities	9,483	9,483	40,283	30,800
Contributions, Gifts and Donations	10,500	10,500	29,560	19,060
Earnings on Investments	20,862	20,862	29,033	8,171
Miscellaneous	21,396	21,396	23,165	1,769
<i>Total Receipts</i>	<u>2,681,983</u>	<u>2,629,992</u>	<u>2,707,982</u>	<u>77,990</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,312,595	1,306,977	1,230,525	76,452
Collection Development and Processing	354,068	351,068	333,079	17,989
Support Services:				
Facilities Operation and Maintenance	275,424	285,924	224,253	61,671
Information Services	174,093	174,093	171,090	3,003
Business Administration	452,918	461,679	443,626	18,053
Capital Outlay	46,005	35,362	19,120	16,242
<i>Total Disbursements</i>	<u>2,615,103</u>	<u>2,615,103</u>	<u>2,421,693</u>	<u>193,410</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>66,880</u>	<u>14,889</u>	<u>286,289</u>	<u>271,400</u>
Other Financing Sources (Uses)				
Transfers Out	(18,173)	(18,173)	-	18,173
<i>Total Other Financing Sources (Uses)</i>	<u>(18,173)</u>	<u>(18,173)</u>	<u>-</u>	<u>18,173</u>
<i>Net Change in Fund Balance</i>	48,707	(3,284)	286,289	289,573
<i>Fund Balance Beginning of Year</i>	<u>414,157</u>	<u>414,157</u>	<u>414,157</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 462,864</u>	<u>\$ 410,873</u>	<u>\$ 700,446</u>	<u>\$ 289,573</u>

See accompanying notes to the basic financial statements

Grandview Heights Public Library, Franklin County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 698,029	\$ 698,029	\$ 718,973	\$ 20,944
Intergovernmental	1,707,518	1,707,518	1,798,903	91,385
Patron Fines and Fees	75,000	75,000	79,748	4,748
Services Provided to Other Entities	-	-	32,078	32,078
Services Provided to Others				-
Contributions, Gifts and Donations	1,000	1,000	10,685	9,685
Earnings on Investments	1,800	1,800	14,597	12,797
Miscellaneous	17,178	17,178	15,845	(1,333)
<i>Total Receipts</i>	<u>2,500,525</u>	<u>2,500,525</u>	<u>2,670,829</u>	<u>170,304</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,400,974	1,385,084	1,262,341	122,743
Collection Development and Processing	322,105	348,915	303,838	45,077
Support Services:				
Facilities Operation and Maintenance	276,842	269,567	225,625	43,942
Information Services	140,237	150,237	148,242	1,995
Business Administration	421,837	429,192	417,195	11,997
Capital Outlay	38,001	38,001	21,183	16,818
<i>Total Disbursements</i>	<u>2,599,996</u>	<u>2,620,996</u>	<u>2,378,424</u>	<u>242,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(99,471)</u>	<u>(120,471)</u>	<u>292,405</u>	<u>412,876</u>
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	-	(100,000)
Transfers Out	(4)	(4)	-	4
<i>Total Other Financing Sources (Uses)</i>	<u>99,996</u>	<u>99,996</u>	<u>-</u>	<u>(99,996)</u>
<i>Net Change in Fund Balance</i>	525	(20,475)	292,405	312,880
<i>Fund Balance Beginning of Year</i>	<u>121,752</u>	<u>121,752</u>	<u>121,752</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 122,277</u>	<u>\$ 101,277</u>	<u>\$ 414,157</u>	<u>\$ 312,880</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin County

Statement of Fiduciary Net Assets - Modified Cash Basis

Fiduciary Fund

December 31, 2005

	Agency Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 256,769
<i>Total Assets</i>	<u>256,769</u>
Liabilities	
Undistributed Monies	<u>256,769</u>
<i>Total Liabilities</i>	<u>\$ 256,769</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin County

Statement of Fiduciary Net Assets - Modified Cash Basis

Fiduciary Fund

December 31, 2004

	Agency Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 311,295
<i>Total Assets</i>	<u>311,295</u>
Liabilities	
Undistributed Monies	<u>311,295</u>
<i>Total Liabilities</i>	<u>\$ 311,295</u>

See accompanying notes to the basic financial statements.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 1 – Description of the Library and Reporting Entity

The Grandview Heights Public Library, Franklin County, (The Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Board of Education of Grandview Heights City School District. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Grandview Heights City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library is a member of the Central Library Consortium (the "CLC"), a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The Library is the administrative and fiscal agent for the CLC. The CLC is further discussed in Note 12.

The Library is the sole beneficiary of an endowment fund from The Columbus Foundation. Since the endowment fund solely benefits the Library, the fund balance and financial activity of this fund is included in this report as the Columbus Foundation Endowment Fund for Grandview Heights Public Library (the "Endowment Fund"). The Columbus Foundation is further discussed in Note 11.

Grandview Heights Public Library, Franklin County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Library and Reporting Entity (Continued)

The Friends of the Grandview Heights Public 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 access to the resources provided by the organization. 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

As discussed further in Note 2.C, the financial statements of the Grandview Heights Public Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

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 government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Library. All of the Library's activities are considered *governmental activities*, which are normally supported by taxes and intergovernmental revenues.

The statement of net assets presents the cash and equity balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Grandview Heights Public Library, Franklin County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 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. Fiduciary funds are reported by type.

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. The Library's funds are divided into two categories, governmental and fiduciary.

Governmental Funds

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

The *General Fund* is the library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Building Fund* accounts for the resources accumulated for the construction, improvement and repair of capital facilities.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of bond indebtedness.

The *Endowment Fund* is used to account for contributions and donations that are used to support the public activities of the Library. The contributions and donations are not evidenced by any legal agreement.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Funds for which the Library is acting in a custodial capacity are classified as agency funds. All assets reported are offset by a liability to the party on whose behalf they are held. The library has one agency fund, The Central Library Consortium, in which this agency fund received fees from consortium members to finance operating expenditures of the Consortium.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Both the government-wide and fund financial statements were prepared using the modified cash basis of accounting, 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).

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

D. Budgetary Process

All funds, (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 function level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations 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.

Because the Library previously presented the Endowment Fund as a fiduciary fund, management did not adopt an annual appropriated budget for the fund for either 2004 or 2005; thus, the basic financial statements do not include a Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -Budget Basis for the Endowment Fund. The Endowment Fund is now being presented as a special revenue fund.

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.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

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 2004 and 2005, investments were limited to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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, 2005.

F. Fund Balance/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report temporary and permanent restrictions of net assets for amounts that are restricted by outside parties for use for a specific purpose.

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.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. 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 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 modified cash basis of accounting.

K. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Grandview Heights Public Library, Franklin County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

For the period ended December 31, 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. As of January 1, 2004, the Library implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the modified cash basis of accounting generated the following changes to fund balance/net assets as previously reported at December 31, 2003. The Columbus Foundation Endowment for the Grandview Heights Public Library, previously presented as an expendable trust fund, is now being presented as a special revenue fund.

	Expendable Trust Fund	Special Revenue	Endowment Fund
Fund Balance/Net Assets, December 31, 2003	\$421,990	\$9,225	\$0
Modified Cash Re-class Entry	(421,990)	(9,225)	431,215
Adjusted Fund Balance/Net Assets, December 31, 2003	\$0	\$0	\$431,215

Note 4 – 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.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 4 – Deposits and Investments (Continued)

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;
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.

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 year end 2005 and 2004, \$786,746 and \$593,490 of the Library's bank balance of \$838,822 and \$643,119 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.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 4 – Deposits and Investments (Continued)

Investments

As of December 31, 2005 and 2004, the Library's only investment was in Star-Ohio totaling \$1,012,540 and \$1,210,257. Star-Ohio is a money market mutual fund and has a maturity of less than one year.

Interest Rate Risk. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library does not have an investment policy to address interest rate risk.

Credit Risk. Standard and Poor's has assigned an investment rating of AAAM to Star Ohio. The Library's investment policy does not limit exposure to credit risk.

Concentration of Credit Risk. The Library's places no limit on the amount that may be invested in any one issuer. One hundred percent of the Library's investments are in Star-Ohio.

Note 5 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property. Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Governments Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

The assessed values of real property, public utility property, and tangible personal property upon which 2004 and 2005 property tax receipts were based are as follows:

	<u>2005</u>	<u>2004</u>
Real Property		
Residential	\$156,048,030	\$154,766,710
Agriculture	-	
Commercial/Industrial/Mineral	47,584,000	47,609,190
Public Utility Property		
Real	19,710	19,720
Personal	8,318,690	8,451,830
General Personal Property	18,157,599	16,882,932
Total Assessed Value	<u>\$230,128,029</u>	<u>\$227,730,382</u>

Grandview Heights Public Library, Franklin County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

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 2004 and 2005, the Library contracted for the following insurance coverage as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
General Liability	\$2,000,000
Commercial Property	4,732,500
Commercial Crime	210,000
Inland Marine	12187
Vehicle	1,000,000
Errors and Omissions	2,000,000
Library Officials	2,000,000

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.

Note 7 - Defined Benefit Pension Plan

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

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 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, 2005, 2004, and 2003 were \$267,573 \$269,045 and \$336,076 respectively; the full amount has been contributed for 2005, 2004, and 2003.

Grandview Heights Public Library, Franklin County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$78,988 and \$78,832. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

Note 9 – Debt

In 1993, the City of Grandview Heights issued Mortgage Revenue Bonds to provide funds to acquire and improve the library building. The Library is obligated under lease with the City for all principal and interest payments on the bonds. The debt is paid with general operating tax revenues. The debt was issued in the amount of \$2,200,000. As of December 31, 2005 and 2004, the principal balance outstanding was \$400,000 and \$580,000, respectively.

Grandview Heights Public Library, Franklin County

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 10 – Leases

The Library leases computers, storage facilities, and other equipment under non-cancelable and cancelable lease agreements. The Library disbursed \$22,550 and \$12,778 to pay lease costs for the year ended December 31, 2005 and December 31, 2004. Future lease payments on non-cancelable leases are as follows:

Year	Amount
2006	\$22,085
2007	8,543
2008	8,543
2009	4,726
2010	0
Total	<u><u>\$43,897</u></u>

Note 11 – Columbus Foundation

Columbus Foundation (the "Foundation") is a non-for-profit corporation organized and operated as a component part of The Columbus Foundation, a community foundation which is organized by a Revised Declaration of Trust. The purpose of the Foundation is to provide a means by which gifts and bequests made for charitable, educational, and public purposes may be administered prudently by experienced financial institutions and expended wisely by persons familiar with the charitable, scientific, educational, or public needs of the central Ohio region. The Foundation holds an endowment fund to which the sole beneficiary is the Library. The funds are disbursed to the Library upon drawdown request to the Board of Trustees who approves the disbursement of funds from the endowment fund to the Library. Since the endowment fund solely benefits the Library, the fund balance and financial activity of this fund is included in this report as the Grandview Heights Public Library Endowment Fund.

Note 12 – Joint Venture

The Library is a member of the Central Library Consortium (the "CLC"). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system. The CLC, which commenced on June 13, 1988, has seven members consisting of the Fairfield County District Library, Grandview Heights Public Library, Pickerington Public Library, The Wagnalls Memorial Library, Pickaway County District Public Library, Marysville Public Library, and Plain City Public Library. The original agreement has been modified to extend membership to additional libraries. The CLC is governed by a Council consisting of one appointed representative by each member library. The Council elects a president, a vice president, and a secretary. The CLC's financial operations are accounted for in the Agency Fund of the Grandview Heights Public Library.

Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Library has no explicit and measurable equity interest in the venture. The Library's only ongoing financial responsibility to the CLC is for participating projects that have been entered into by the Library.

Note 13 – Compliance and Accountability

Contrary to Ohio Revised Code Section 5705.10, the Library had a deficit balance in its LSTA Grant Fund as of December 31, 2004. The deficit balance was subsequently corrected in 2005.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Grandview Heights Public Library
1685 West First Ave.
Columbus, Ohio 43212

To the Trustees of Grandview Heights Public Library:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grandview Heights Public Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 28, 2006, wherein we noted that 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*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance/Audit Committee, management, Board of Trustees and other officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
September 28, 2006



**Auditor of State
Betty Montgomery**

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GRANDVIEW HEIGHTS PUBLIC LIBRARY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 28, 2006**