



**Auditor of State
Betty Montgomery**

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Greene County Public Library
76 East Market Street
P.O. Box 520
Xenia, Ohio 45385

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene County Public Library (the Library) as of and for the years ended December 31, 2005 and 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 2, 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 the Greene County Public Library, as of December 31, 2005 and 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund, Building and Repair Fund and Budget Stabilization Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

August 7, 2006

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

This discussion and analysis of the Greene County Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Board's cash basis accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities increased \$72,485, or 2 percent.
- General receipts accounted for \$6,380,247 or 97 percent of all receipts. Program receipts in the form of charges for services or capital grants and contributions accounted for \$191,198 or 3 percent of total receipts.
- The Library had \$6,498,960 in disbursements relating to governmental activities; only \$191,198 of these disbursements if offset by program specific charges for services or capital grants and contributions.
- The Library passed a one mil, 5 year operating levy resulting in receipts of \$3.1 million dollars annually starting during 2006.

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$542,917, or 13 percent.
- General receipts accounted for \$6,270,346 or 97 percent of all receipts. Program receipts in the form of charges for services or operating grants and contributions accounted for \$193,327 or 3 percent of total receipts.
- The Library had \$5,920,756 in disbursements relating to governmental activities; only \$193,327 of these disbursements if offset by program specific charges for services or capital grants and contributions.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Library's financial position. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a modified cash basis of accounting.

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

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

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

The Statement of Net Assets Modified Cash Basis and the Statement of Activities Modified Cash Basis, provide information about the activities of the Library as a whole, presenting both an aggregate view of the Board's finances and a longer-term view of those finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending.

Governmental financial statements report the Library's most significant funds individually and the Library's non-major funds in a single column. The Library's major funds are the General Fund, Building & Repair Fund, and the Budget Stabilization Fund.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library'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 cash basis of accounting.

Reporting the Library as a Whole

Statement of Net Assets Modified Cash Basis and Statement of Activities Modified Cash Basis

The Statement of Net Assets Modified Cash Basis and the Statement of Activities Modified Cash Basis reflect how the Library did financially during 2005 and 2004. These two statements report the Library's net assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the Library as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are an indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. These factors must be considered when assessing the overall health of the Library.

In the Statement of Net Assets Modified Cash Basis and the Statement of Activities Modified Cash Basis, the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including general public services, purchases and contracted services, library materials and information, and capital outlay. These services are primarily funded by intergovernmental receipts.

Reporting the Library's Most Significant Funds

Fund Financial Statements

The analysis of the Library's major funds begins on page 11. Fund financial statements provide detailed information about the Library's major funds. The Library uses several funds to account for its financial transactions. However, these fund financial statements focus on the Library's most significant funds. The Library's major governmental funds are the General Fund, Building and Repair Fund, and the Budget Stabilization Fund.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

Governmental Funds - The Library's activities are reported in the governmental financial statements, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported on a cash basis of accounting. The governmental financial statements provide a short-term view of the Library's general government operations and the basic services being provided. Government financial statements help the user to determine whether there are more or fewer financial resources that can be spent in the near future to finance library programs.

The Library as a Whole

Recall that the Statement of Net Assets provides the perspective for the Library as a whole. Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 and 2004 compared to 2003.

**Table 1
Net Assets - Cash Basis**

	Governmental Activities		
	2005	2004	2003
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 763,166	\$1,469,428	\$1,138,669
Investments	4,027,646	3,248,899	3,036,741
Total Assets	<u>\$4,790,812</u>	<u>\$4,718,327</u>	<u>\$4,175,410</u>
Net Assets			
Restricted for:			
Permanent Fund Purpose			
Expendable	13,046	12,389	12,125
Nonexpendable	28,817	28,817	28,817
Unrestricted	<u>4,748,949</u>	<u>4,677,121</u>	<u>4,134,468</u>
Total Net Assets	<u>\$4,790,812</u>	<u>\$4,718,327</u>	<u>\$4,175,410</u>

During 2005, total assets increased \$72,485, or approximately 2 percent over 2004. This increase can be attributed to several factors. During 2005, there was a slight increase in real estate tax receipts, intergovernmental receipts, and interest from investments.

During 2004, total assets increased \$542,917, or approximately 13 percent over 2003. This increase can be attributed to several factors. During 2004, there were slight increases in real estate tax receipts, intergovernmental receipts, and patron fines and fees. Coupled with the increase in revenue, the Board put a freeze on salaries during 2004 due to increasing concerns regarding library funding. As a result the expenditures for salaries and benefits were \$210,861 less, or approximately 5% lower during 2004 than 2003.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

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

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2005	2004
Receipts:		
Program Cash Receipts		
Charges for Services	\$ 181,016	\$ 189,794
Capital Grants and Contributions	10,182	3,533
Total Program Cash Receipts	191,198	193,327
General Receipts:		
LLGSF	5,374,459	5,345,041
Property and Other Local Taxes	847,238	836,491
Interest	116,683	63,267
Miscellaneous Receipts	41,867	25,547
Total General Receipts	6,380,247	6,270,346
Total Receipts	6,571,445	6,463,673
Disbursements:		
Library Services		
Public Service and Programs	2,689,252	2,520,815
Collection Development and Processing	344,090	332,935
Library Materials	1,322,960	1,073,234
Support Services		
Facilities Operation and Maintenance	600,273	554,343
Information Services	283,179	256,725
Business Administration	903,042	851,105
Capital Outlay	356,164	331,599
Total Disbursements	6,498,960	5,920,756
Change in Net Assets	\$ 72,485	\$ 542,917

During 2005, general receipts represented 97 percent of the Library's overall receipts. During 2004, the general receipts represented 97 percent of the Library's overall receipts. Library and Local Government Support Fund monies made up 84 percent of all general receipts during 2005 and 85 percent of general receipts during 2004. These monies are provided by the State and any reduction in this funding source could have a substantial impact on the services provided by the Library.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

The Statement of Activities Modified Cash Basis shows the cost of program services and the charges for services, capital grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by unrestricted government monies collected from Library and Local Government Support Fund, property and other local taxes, interest from investments and miscellaneous revenue.

Table 3

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services		
Public Service and Programs	\$2,689,252	\$2,498,054
Collection Development and Processing	344,090	344,090
Library Materials	1,322,960	1,322,960
Support Services		
Facilities Operation and Maintenance	600,273	600,273
Information Services	283,179	283,179
Business Administration	903,042	903,042
Capital Outlay	356,164	356,164
Total disbursements	\$6,498,960	\$6,307,762
	Total Cost of Services 2004	Net Cost of Services 2004
Library Services		
Public Service and Programs	\$2,520,815	\$2,327,488
Collection Development and Processing	332,935	332,935
Library Materials	1,073,234	1,073,234
Support Services		
Facilities Operation and Maintenance	554,343	554,343
Information Services	256,725	256,725
Business Administration	851,105	851,105
Capital Outlay	331,599	331,599
Total disbursements	\$5,920,756	\$5,727,429

Over 96% of the total cost of Library operations is derived from the Library and Local Government Support Fund, property and other local taxes, interest from investments and miscellaneous revenue. Patron fines and fees and contributions make up the other 4%.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

The Library's Funds

The Library's governmental fund financial statements are accounted for using the modified cash basis of accounting. The Library's major governmental funds for 2004 were the General Fund and the Building & Repair Fund. During 2005, the major governmental funds were the General Fund and the Budget Stabilization Fund. A review of these funds for 2005 reflects a decrease in fund balance for the General Fund of \$2,751,257 and an increase to the Budget Stabilization Fund of \$3,000,000. The large decrease in the General Fund balance is due to the establishment of two special revenue funds called the Budget Stabilization Fund and Post Employment Benefit Fund. The transfers to the new funds respectively were \$3,000,000 and \$10,000. The change in fund balance for the General Fund before transfers out was \$408,743.

A review of these funds for 2004 reflects an increase in the fund balance of the General Fund of \$718,612 and a decrease in the Building & Repair Fund of \$167,401. The large increase in the General Fund is a result of frozen wages and no transfer out to the Building & Repair Fund.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based on accounting for certain transactions on a cash basis of accounting. The Library's most significant budgeted fund is the General Fund.

During the course of both 2005 and 2004, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

Due to the certainty of the majority of the Library's funding, Local Library Government Serviced Funding (LLGSF), there is no major budget versus actual variances in regards to revenue. The total expenditure variances for 2005 and 2004 were \$938,163 and \$3,722,426 respectively. The variances were so large due to inclusion of the Budget Stabilization Fund within the General Fund. The funds were appropriated to the Budget Stabilization line, but not spent resulting in a large variance. At the end of 2005, a separate fund was created for the Budget Stabilization; therefore the line item is no longer in the General Fund.

Economic Factors

Funding from the State of Ohio for the Library and Local Government Support Fund has been stagnant during 2004 and 2005. During 2003, upon the news that the LLGSF would be frozen and possible reduced by a significant percentage, the Library reduced hours at all branches and froze hiring. During 2004, due to the uncertainty of continued funding, no wage increases were given for all employees.

During 2005, the Library passed a 5 year, 1 mil, operating levy which will provide revenue of approximately \$3,100,000 per year. Due to both the uncertainty of state funding and the increase in the cost of operation, the Library felt it prudent to find other areas of revenue so that service to the Greene County community would be at the level that the community has grown accustomed and to the level they deserve.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Meldon D. Brindley, Clerk-Treasurer, Greene County Public Library, 76 E. Market Street, Xenia, OH 45385.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$763,166
Investments	<u>4,027,646</u>
Total Assets	<u>4,790,812</u>
Net Assets	
Restricted for:	
Permanent Fund Purpose	
Expendable	13,046
Nonexpendable	28,817
Unrestricted	<u>4,748,949</u>
Total Net Assets	<u><u>\$4,790,812</u></u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service Programs	\$2,689,252	\$181,016	\$10,182	(\$2,498,054)
Collection Development and Processing	344,090			(344,090)
Library Materials	1,322,960			(1,322,960)
Support Services:				
Facilities Operation and Maintenance	600,273			(600,273)
Information Services	283,179			(283,179)
Business Administration	903,042			(903,042)
Capital Outlay	356,164			(356,164)
Total Governmental Activities	\$6,498,960	\$181,016	\$10,182	(6,307,762)
		General Receipts:		
		Government Grants In Aid - LLGSF		5,374,459
		Property and Other Local Taxes		847,238
		Interest		116,683
		Miscellaneous		41,867
		Total General Receipts		6,380,247
		Change in Net Assets		72,485
		Net Assets Beginning of Year		4,718,327
		Net Assets End of Year		\$4,790,812

See accompanying notes to the basic financial statements.

**GREENE COUNTY FAMILY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Budget Stabilization Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$126,257		\$636,909	\$763,166
Investments	1,017,646	\$3,000,000	10,000	4,027,646
Total Assets	<u>1,143,903</u>	<u>3,000,000</u>	<u>646,909</u>	<u>4,790,812</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	332,115		2,718	334,833
Reserved for Permanent Fund Purpose			28,817	28,817
Unreserved:				
Undesignated (Deficit), Reported In:				
General Fund	811,788			811,788
Special Revenue Funds		3,000,000	55,398	3,055,398
Capital Projects Funds			546,930	546,930
Permanent Funds			13,046	13,046
Total Fund Balances	<u>\$1,143,903</u>	<u>\$3,000,000</u>	<u>\$646,909</u>	<u>\$4,790,812</u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Budget Stabilization Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$847,238			\$847,238
Intergovernmental	5,374,459			5,374,459
Patron Fines and Fees	181,016			181,016
Contributions, Gifts and Donations	1,050		9,132	10,182
Earnings on investments	115,929		754	116,683
Miscellaneous	41,861		6	41,867
Total Receipts	<u>6,561,553</u>		<u>9,892</u>	<u>6,571,445</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,689,252			2,689,252
Collection Development and Processing	344,090			344,090
Library Materials	1,322,579		381	1,322,960
Support Services:				
Facilities Operation and Maintenance	600,273			600,273
Information Services	283,179			283,179
Business Administration	903,042			903,042
Capital Outlay	10,395		345,769	356,164
Total Disbursements	<u>6,152,810</u>		<u>346,150</u>	<u>6,498,960</u>
Receipts Over (Under) Disbursements	<u>408,743</u>		<u>(336,258)</u>	<u>72,485</u>
Other Financing Sources (Uses)				
Transfers In		3,000,000	160,000	3,160,000
Transfers Out	<u>(3,160,000)</u>			<u>(3,160,000)</u>
Total Other Financing Sources (Uses)	<u>(3,160,000)</u>	<u>3,000,000</u>	<u>160,000</u>	
Net Change in Fund Balances	(2,751,257)	3,000,000	(176,258)	72,485
Fund Balances Beginning of Year	<u>3,895,160</u>		<u>823,167</u>	<u>4,718,327</u>
Fund Balances End of Year	<u>\$1,143,903</u>	<u>\$3,000,000</u>	<u>\$646,909</u>	<u>\$4,790,812</u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$825,700	\$825,700	\$847,238	\$21,538
Intergovernmental	5,575,637	5,575,637	5,374,459	(201,178)
Patron Fines and Fees	174,000	174,000	181,016	7,016
Contributions, Gifts and Donations			1,050	1,050
Earnings on investments	70,000	70,000	115,929	45,929
Miscellaneous			41,861	41,861
Total receipts	<u>6,645,337</u>	<u>6,645,337</u>	<u>6,561,553</u>	<u>(83,784)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,759,421	2,759,421	2,689,797	69,624
Collection Development and Processing	381,934	381,934	355,295	26,639
Library Materials	1,696,774	1,696,774	1,590,332	106,442
Support Services:				
Facilities Operation and Maintenance	628,663	628,663	612,703	15,960
Information Services	293,149	293,149	288,455	4,694
Business Administration	1,055,643	1,055,643	929,760	125,883
Contingency	199,360	199,360		199,360
Capital Outlay	25,515	25,515	18,583	6,932
Budget Stabilization	<u>3,392,629</u>	<u>382,629</u>		<u>382,629</u>
Total Disbursements	<u>10,433,088</u>	<u>7,423,088</u>	<u>6,484,925</u>	<u>938,163</u>
Receipts Over (Under) Disbursements	<u>(3,787,751)</u>	<u>(777,751)</u>	<u>76,628</u>	<u>854,379</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(150,000)</u>	<u>(3,160,000)</u>	<u>(3,160,000)</u>	
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(3,160,000)</u>	<u>(3,160,000)</u>	
Net Change in Fund Balance	(3,937,751)	(3,937,751)	(3,083,372)	854,379
Fund Balance Beginning of Year	3,508,855	3,508,855	3,508,855	
Prior Year Encumbrances Appropriated	<u>386,305</u>	<u>386,305</u>	<u>386,305</u>	
Fund Balance End of Year	<u>(\$42,591)</u>	<u>(\$42,591)</u>	<u>\$811,788</u>	<u>\$854,379</u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
BUDGET STABILIZATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers In	<u> </u>	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u> </u>
Net Change in Fund Balance		3,000,000	3,000,000	
Fund Balance Beginning of Year				
Prior Year Encumbrances Appropriated	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance End of Year	<u> </u>	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u> </u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,469,428
Investments	<u>3,248,899</u>
Total Assets	<u>4,718,327</u>
Net Assets	
Restricted for:	
Permanent Fund Purpose	
Expendable	12,389
Nonexpendable	28,817
Unrestricted	<u>4,677,121</u>
Total Net Assets	<u><u>\$4,718,327</u></u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY FAMILY PUBLIC LIBRARY
GREENE COUNTY**

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

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$646,261	\$593,159	\$230,008	\$1,469,428
Investments	<u>3,248,899</u>			<u>3,248,899</u>
Total Assets	<u><u>3,895,160</u></u>	<u><u>593,159</u></u>	<u><u>230,008</u></u>	<u><u>4,718,327</u></u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	386,305	191,744	15,054	593,103
Reserved for Permanent Fund Purpose			28,817	28,817
Unreserved:				
Undesignated (Deficit), Reported In:				
General Fund	3,508,855			3,508,855
Special Revenue Funds			39,142	39,142
Capital Projects Funds		401,415	134,606	536,021
Permanent Funds			<u>12,389</u>	<u>12,389</u>
Total Fund Balances	<u><u>\$3,895,160</u></u>	<u><u>\$593,159</u></u>	<u><u>\$230,008</u></u>	<u><u>\$4,718,327</u></u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

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

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$836,491			\$836,491
Intergovernmental	5,345,041			5,345,041
Patron Fines and Fees	189,794			189,794
Contributions, Gifts and Donations	10		3,523	3,533
Earnings on investments	62,814		453	63,267
Miscellaneous	25,447		100	25,547
Total Receipts	<u>6,459,597</u>		<u>4,076</u>	<u>6,463,673</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,520,815			2,520,815
Collection Development and Processing	332,935			332,935
Library Materials	1,071,580		1,654	1,073,234
Support Services:				
Facilities Operation and Maintenance	554,343			554,343
Information Services	256,725			256,725
Business Administration	851,105			851,105
Capital Outlay	53,482	167,401	110,716	331,599
Total Disbursements	<u>5,640,985</u>	<u>167,401</u>	<u>112,370</u>	<u>5,920,756</u>
Receipts Over (Under) Disbursements	<u>818,612</u>	<u>(167,401)</u>	<u>(108,294)</u>	<u>542,917</u>
Other Financing Sources (Uses)				
Transfers In			100,000	100,000
Transfers Out	(100,000)			(100,000)
Total Other Financing Sources (Uses)	<u>(100,000)</u>		<u>100,000</u>	
Net Change in Fund Balances	718,612	(167,401)	(8,294)	542,917
Fund Balances Beginning of Year	<u>3,176,548</u>	<u>760,560</u>	<u>238,302</u>	<u>4,175,410</u>
Fund Balances End of Year	<u>\$3,895,160</u>	<u>\$593,159</u>	<u>\$230,008</u>	<u>\$4,718,327</u>

See accompanying notes to the basic financial statements.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$785,000	\$785,000	\$836,491	\$51,491
Intergovernmental	5,338,380	5,338,380	5,345,041	6,661
Patron Fines and Fees	174,000	174,000	189,794	15,794
Contributions, Gifts and Donations			10	10
Earnings on investments	70,000	70,000	62,814	(7,186)
Miscellaneous			25,447	25,447
Total receipts	<u>6,367,380</u>	<u>6,367,380</u>	<u>6,459,597</u>	<u>92,217</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	2,597,384	2,597,384	2,532,578	64,806
Collection Development and Processing	373,511	373,511	335,490	38,021
Library Materials	1,549,333	1,549,333	1,383,947	165,386
Support Services:				
Facilities Operation and Maintenance	650,420	650,420	572,324	78,096
Information Services	280,462	280,462	258,379	22,083
Business Administration	989,266	989,266	889,574	99,692
Contingency	191,021	191,021		191,021
Capital Outlay	55,379	55,379	54,998	381
Budget Stabilization	3,062,940	3,062,940		3,062,940
Total Disbursements	<u>9,749,716</u>	<u>9,749,716</u>	<u>6,027,290</u>	<u>3,722,426</u>
Receipts Over (Under) Disbursements	<u>(3,382,336)</u>	<u>(3,382,336)</u>	<u>432,307</u>	<u>3,814,643</u>
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(100,000)</u>	<u>50,000</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(100,000)</u>	<u>50,000</u>
Net Change in Fund Balance	(3,532,336)	(3,532,336)	332,307	3,864,643
Fund Balance Beginning of Year	2,810,760	2,810,760	2,815,760	5,000
Prior Year Encumbrances Appropriated	<u>360,788</u>	<u>360,788</u>	<u>360,788</u>	
Fund Balance End of Year	<u>(\$360,788)</u>	<u>(\$360,788)</u>	<u>\$3,508,855</u>	<u>\$3,869,643</u>

See accompanying notes to the basic financial statements.

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**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

1. DESCRIPTION OF THE REPORTING ENTITY

The Greene County Public Library (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 is directed by a seven-member Board of Trustees appointed by the Greene County Commissioners and the Greene County Common Pleas Court. 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.

A. Primary Government

A primary government is comprised of all organizations and operations included to assure that the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards and agencies that are not legally separate from the Library.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes are presented on a modified cash basis of accounting. The Library recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The 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 Government Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and government wide financial statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. Basis of Presentation

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

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function.

Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

2. Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library only uses governmental fund types.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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

Building & Repair Fund - This fund is used to account for receipts that are restricted for the acquisition, construction or repair of major capital projects.

Budget Stabilization Fund – This fund is use to account for the amount of monies to be used for future operational expenditures of the general fund.

The other governmental funds of the Library account for resources whose use is restricted to a particular purpose. Included in the other governmental funds are Special Revenue Funds whose revenue is used only for the purpose of that fund. Also included in other governmental funds are Permanent Funds. These Permanent Funds are made up of non-expendable trust funds that are restricted as to the use of revenue and the preservation of the principle.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The government-wide statement of net assets and statement of activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the modified cash basis of accounting, certain assets and their related receipts and certain liabilities and their disbursements are not recorded in these financial statements. If the Library utilized the basis of accounting recognized as generally accepted accounting principals, the fund financial statements for governmental funds would use the modified accrual basis of accounting.

D. Cash and Investments

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

During fiscal years 2005 and 2004, the Library invested in nonnegotiable certificates of deposit, U.S. Agency Securities, U.S. Treasury Notes, Commercial Paper, Money Market Investment and Mutual Funds, and STAR Ohio. The nonnegotiable certificates of deposit, U.S. Agency Securities, U.S. Treasury Notes, and Commercial Paper are reported at cost. Money Market Investment and Mutual Funds are reported at the cost value of the portfolio as of December 31, 2005 and 2004.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows Library's within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during fiscal years 2005 and 2004 were \$115,929 and \$62,814, respectively.

E. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

F. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. 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 "capital outlay expenditure" is reported at inception. Lease payments are reported when paid.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets

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

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

H. Fund Balance Reserves

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund reserves have been established for encumbrances and the portion of the Permanent Fund which is nonexpendable.

I. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Library may appropriate. The appropriation resolution is the Library's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Library. The legal level of control has been established by the Library at the function level. The Clerk-Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Clerk-Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES

- A. For the years ended December 31, 2005 and 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*. The financial statements now include entity-wide financial statements, which present information for the Library as a whole, and fund financial statements, which present information for individual major funds rather than by fund type.

The Library also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

- B. For fiscal years 2005 and 2004, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *“Deposits and Investment Risk Disclosure”*. GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Library’s financial statements for fiscal years 2005 or 2004.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, and the Budget Stabilization fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$332,115 for the general fund for 2005 and \$386,305 for the General Fund for 2004. There were no outstanding year end encumbrances for the Budget Stabilization Fund for 2005.

5. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF is 5.7% of the State personal income tax. It is currently frozen at 2001 fiscal year level. The LLGSF is allocated to each county based on the county’s prior year LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for construction of new library buildings, improvements, operation, maintenance or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits include amount held in demand accounts and savings accounts. At December 31, 2005, the carrying amount of the Library's deposits was \$763,166 which includes \$850 of change funds and petty cash. The bank balances totaled \$831,486. Included in the carrying amount is a book value of certificates of deposit of \$27,737 and a corresponding bank balance of \$27,863.

At December 31, 2004, the carrying amount of the Library's deposits was \$1,469,428, which includes \$850 of change funds and petty cash. The bank balance totaled \$1,570,428. Included in the carrying amount is a book value of certificates of deposit of \$27,550 and a corresponding bank balance of \$27,550.

Custodial credit risk is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Protection of the Library's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution.

Of the bank balance at December 31, 2005, \$227,862 was covered by federal depository insurance and \$603,624 was part of pooled collateral.

Of the bank balance at December 31, 2004, \$227,550 was covered by federal depository insurance and \$1,342,878 was part of pooled collateral.

B. Investments

Investments are reported at cost. As of December 31, 2005, the Library had the following investments:

	Book Value	Percent of Total Portfolio	Credit Rating	Weighted Average Maturity
Commercial Paper	\$ 54,684	1.36%	A1+	0.05 years
Federal Home Bank Loan (FHLB)	974,855	24.20%	AAA	0.56 years
Federal Home Loan Mortgage Corporation (FHLMC)	753,907	18.72%	AAA	0.79 years
Federal National Mortgage Association (FNMA)	1,201,992	29.84%	AAA	0.75 years
U. S. Securities	194,157	4.82%	AAA	0.55 years
U. S. Treasury Notes	645,885	16.04%	AAA	1.18 years
Money Market Investment Fund	2,507	.06%	Not Rated	n/a
Money Market Mutual Fund - Government Obligations	53,209	1.32%	Aaa	n/a
Outside Investment Pools - STAR Ohio	146,450	3.64%	AAA	n/a
Total Investments	<u>\$4,027,646</u>	<u>100.00%</u>		

Portfolio Weighted Average Maturity 0.65 years

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments are reported at cost. As of December 31, 2004, the Library had the following investments:

	Book Value	Percent of Total Portfolio	Credit Rating	Weighted Average Maturity
Federal Farm Credit Bank (FFCB)	\$ 59,988	1.85%	AAA	0.23 years
Federal Home Bank Loan (FHLB)	1,297,757	39.94%	AAA	0.88 years
Federal Home Loan Mortgage Corporation (FHLMC)	861,323	26.51%	AAA	0.25 years
Federal National Mortgage Association (FNMA)	758,394	23.34%	AAA	0.65 years
U. S. Securities	110,240	3.39%	AAA	0.42 years
Money Market Investment Fund	4,002	0.12%	Not Rated	n/a
Money Market Mutual Fund - Government Obligations	15,165	0.47%	Aaa	n/a
Outside Investment Pools - STAR Ohio	142,030	4.38%	AAA	n/a
Total Investments	<u>\$3,248,899</u>	<u>100.00%</u>		

Portfolio Weighted Average Maturity 0.49 years

The Library's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

1. United States Treasury bills, notes, bonds, 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. Stripped principal or interest obligations of such eligible obligations are strictly prohibited.
2. Bonds, notes, debentures, or any other obligations or securities 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 or instrumentality securities must be direct issuances of the federal agency or instrumentality.
3. STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in ORC 135.45.
4. Bonds and other obligations of this state.
5. Interim deposits (such as Certificates of Deposit) in the eligible institutions applying for interim moneys as provided in ORC 135.08.
6. No-load money market mutual funds consisting exclusively of obligations described in sections IV A or B of this policy and expressly excluding derivatives in accordance with ORC 135.14.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

7. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities subject held as collateral for an overnight repo (including sweep accounts) or term repo must exceed the principal by at least 2%, and the securities must be marked to market daily. Term repurchase agreements may not exceed 30 days. Any repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the treasurer or an agent designated by the treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction. Reverse repurchase agreements are strictly prohibited.

Interest Rate Risk: The Library Investment Policy and state statute requires that investments mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library. State statute limits investment in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk: The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and the Federal Farm Credit Bank Notes carry a rating of AAA by Standard and Poor's and AAA by Fitch Ratings. Ohio law requires that STAROhio maintain the highest rating provided by at least on nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least on nationally recognized standard rating service. Standard and Poor's rating for STAROhio is AAA. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services.

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and the Federal Farm Credit Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. In order to mitigate this risk, the Library purchases its investments only through an approved broker/dealer or institution. Payment for investments is made only upon delivery of the securities representing the investments to the qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Concentration of credit risk: The Library's investment policy provides for diversification to avoid undue concentration in securities of one type from one financial institution. This restriction does not apply to obligations guaranteed by the U. S. Government. The Library places no limit on the amount it may invest in any one issuer, however, state statute limits investments in commercial paper and bankers acceptances to 25% of the interim monies available for investment at one time.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT

The Greene County Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Crime, including employee dishonesty and theft, disappearance and destruction
- Inland marine

8. DEFINED BENEFIT PENSION PLANS

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of 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 pension 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 pension 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the years ended December 31, 2005 and 2004, 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 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 and 2004 were \$294,162 and \$282,791 respectively, equal to the required contributions for each year

9. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) 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 post-retirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 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 between 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 pension and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$141,366 and \$118,473 respectively. 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. The Library has paid all contributions required through December 31, 2005.

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. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

10. INTERFUND TRANSFERS

During 2005, the General Fund transferred \$150,000 to the Technology Fund for the purchase and maintenance of computer equipment and supplies throughout the Library; \$3,000,000 to the Budget Stabilization Fund for the future funding of general fund activities not appropriated in the current years; and \$10,000 to the Retirement Pay Out Fund for the expenditures associated with the pay out of accrued vacation and sick time to retirees of the Library.

During 2004, the General Fund transferred \$100,000 to the Technology Fund for the purchase and maintenance of computer equipment and supplies throughout the Library.

11. CONTINGENT LIABILITIES

The Library is defendant in one lawsuit. Although counsel cannot determine the outcome of this suit, counsel believes that the resolution of this matter will not materially adversely affect the Library's financial condition.

**GREENE COUNTY PUBLIC LIBRARY
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

12. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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.

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Auditor of State Betty Montgomery

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

Greene County Public Library
76 East Market Street
P.O. Box 520
Xenia, Ohio 45385

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greene County Public Library (the Library), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 7, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 opinions on the basic 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. However, in a separate letter to the Library's management dated August 7, 2006 we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Library's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Library's management dated August 7, 2006, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of 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 7, 2006



**Auditor of State
Betty Montgomery**

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GREENE COUNTY PUBLIC LIBRARY

GREENE 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
AUGUST 22, 2006**