



**Auditor of State  
Betty Montgomery**



**PERRY COUNTY DISTRICT LIBRARY  
PERRY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Perry County District Library  
Perry County  
117 South Jackson Street  
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Perry County District Library, Perry County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Perry County District Library, Perry County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, 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 July 5, 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

July 5, 2006

**Perry County District Library**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

The discussion and analysis of the Perry County District Library's financial performance provides an overview of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Board's cash basis of accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole.

### **Financial Highlights**

Key financial highlights for 2005 are as follows:

- Net assets increased \$58,429 in 2005.
- General Receipts accounted for \$1,275,220 or 98 percent of all receipts. Program receipts in the form of charges for services or operating grants and contributions accounted for \$32,139 or 2 percent of total receipts.
- The Library had \$1,248,930 in disbursements relating to governmental activities; only \$32,139 of these disbursements is offset by program specific charges for services or operating 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 Perry County District Library's financial position. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis provide information about the activities of the Library as a whole, presenting an aggregate view of the Board's finances. Fund financial statements provide the next level of detail. Fund 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 and Capital Projects Fund.

### ***Reporting the Library as a Whole***

#### *Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis*

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Library did financially during 2005. 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 one 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 – Cash Basis and the Statement of Activities – 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.

**Perry County District Library**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005  
 Unaudited

**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 multiple funds to account for its financial transactions. The Library's major governmental funds are the General Fund and the Capital Projects Fund.

**Governmental Funds** The Library's activities are reported in the fund 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 fund financial statements provide a short-term view of the Library's general government operations and the basic services being provided. Fund 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.

Table 1  
 Net Assets – Cash Basis

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$329,602	\$271,173
Total Assets	329,602	271,173
 <b>Net Assets</b>		
Restricted	82,380	82,380
Unrestricted	247,222	188,793
	\$329,602	\$271,173

In 2005, total assets increased \$58,429 or approximately 21 percent over 2004. This can be attributed to the Library's conscious attempt to reduce spending, and an increase in circulation.

**Perry County District Library**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b>Receipts:</b>		
Program Cash Receipts		
Charges for Services	\$32,139	\$29,522
Total Program Cash Receipts	32,139	29,522
General Receipts		
Property Taxes	80,891	88,656
Other Local Taxes	7,468	5,808
Unrestricted Contributions	2,836	5,278
Government Grants-in-Aid, LLGSF	1,121,824	1,089,078
Interest	8,351	3,398
Sale of Fixed Assets	160	151
Miscellaneous Receipts	53,690	31,016
Total General Receipts	1,275,220	1,223,385
<b>Total Receipts</b>	<b>1,307,359</b>	<b>1,252,907</b>
<b>Disbursements:</b>		
Public Services		
General Public Services	1,183,113	1,213,376
Capital Outlay	65,817	15,644
<b>Total Disbursements</b>	<b>1,248,930</b>	<b>1,229,220</b>
<b>Change in Net Assets</b>	<b>\$58,429</b>	<b>\$23,687</b>

In 2005, general receipts represented 98 percent of the Library's overall receipts. In 2004, the general receipts represented 98 percent of the Library's total receipts. General receipts in both 2005 and 2004 were made up almost entirely of the Library and Local Government Support Fund monies. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the services the Library can provide.

Total disbursements have been fairly flat with only less than 1 percent increase in disbursements in 2005 from 2004. This can be attributed to the uncertainty in the State budget and the Board's conservative approach in spending in reaction to the State budget.

**Perry County District Library**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services, operating 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 grants-in-aid, LLGSF.

Table 3  
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
Public Services		
General Public Services	\$1,183,113	\$1,150,974
Capital Outlay	<u>65,817</u>	<u>65,817</u>
<b>Total Disbursements</b>	<u><u>\$1,248,930</u></u>	<u><u>\$1,216,791</u></u>
	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Public Services		
General Public Services	\$1,213,376	\$1,183,854
Capital Outlay	<u>15,644</u>	<u>15,644</u>
<b>Total Disbursements</b>	<u><u>\$1,229,020</u></u>	<u><u>\$1,199,498</u></u>

Over 95 percent of the total costs of Library operations are derived from general receipts and as stated previously, this consists of State funding through the Library and Local Government Support Funds.

**The Library District Funds**

The Library's governmental fund financial statements are accounted for using the cash basis of accounting. The Library's major governmental funds are the General Fund and the Capital Projects Fund. A review of these funds reflects an increase in the fund balance of the General Fund of \$58,249, and no change in the Capital Projects Fund.

**Perry County District Library**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

**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 2005, the Library amended its appropriations. 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 Service Funding (LLGSF), there is no major budget versus actual variances in regards to revenues. The total expenditure variances were a result of conservative spending measures on behalf of the Library's management as a result of the uncertainty of the LLGSF funding levels in future periods.

**Economic Factors**

Funding from the State of Ohio for the Library and Local Government Support Fund has been stagnant in 2005 and 2004. The Library has decreased disbursements in many areas of the budget.

The Library will be challenged to continue to maintain the current level of services and programs due to fairly stagnant receipts and ordinary inflation. The Board and Library administration must maintain careful financial planning and prudent fiscal management in order to provide services needed and balance the budget annually.

**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 Ruth Sullivan, Clerk-Treasurer, 117 South Jackson Street, New Lexington, Ohio 43764.

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**Perry County District Library, Perry County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$329,602</u>
 <i>Total Assets</i>	 <u><u>\$329,602</u></u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$82,380
Unrestricted	<u>247,222</u>
 <i>Total Net Assets</i>	 <u><u>\$329,602</u></u>

See accompanying notes to the basic financial statements

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Public Services:				
General Public Services	\$1,183,113	\$32,139	\$0	(\$1,150,974)
Capital Outlay	65,817			(65,817)
<i>Total Governmental Activities</i>	<u>\$1,248,930</u>	<u>\$32,139</u>	<u>\$0</u>	<u>(1,216,791)</u>

**General Receipts**

Property Taxes	80,891
Other Local Taxes	7,468
Unrestricted Contributions	2,836
Government Grants In Aid –LLGSF	1,121,824
Interest	8,351
Sale of Fixed Assets	160
Miscellaneous	53,690

*Total General Receipts* 1,275,220

*Change in Net Assets* 58,429

*Net Assets Beginning of Year* 271,173

*Net Assets End of Year* \$329,602

See accompanying notes to the basic financial statements

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

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$247,222	\$82,380	\$329,602
<i>Total Assets</i>	<u>\$247,222</u>	<u>\$82,380</u>	<u>\$329,602</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$42,113	\$0	\$42,113
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	205,109	0	205,109
Capital Projects Funds	0	82,380	82,380
<i>Total Fund Balances</i>	<u>\$247,222</u>	<u>\$82,380</u>	<u>\$329,602</u>

See accompanying notes to the basic financial statements

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

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL
<b>Receipts</b>			
Property and Other Local Taxes	\$88,359	\$0	\$88,359
Library and Local Government Support	1,095,078	0	1,095,078
Intergovernmental	26,746	0	26,746
Patron, Fines and Fees	29,338	0	29,338
Contributions, Gifts and Donations	2,836	0	2,836
Earnings on Investments	8,351	0	8,351
Miscellaneous	56,491	0	56,491
<i>Total Receipts</i>	<u>1,307,199</u>	<u>0</u>	<u>1,307,199</u>
<b>Disbursements</b>			
Current:			
Library Services	1,183,113	0	1,183,113
Capital Outlay	65,817	0	65,817
<i>Total Disbursements</i>	<u>1,248,930</u>	<u>0</u>	<u>1,248,930</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>58,269</u>	<u>0</u>	<u>58,269</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	160	0	160
<i>Total Other Financing Sources (Uses)</i>	<u>160</u>	<u>0</u>	<u>160</u>
<i>Net Change in Fund Balances</i>	58,429	0	58,429
<i>Fund Balances Beginning of Year</i>	<u>188,793</u>	<u>82,380</u>	<u>271,173</u>
<i>Fund Balances End of Year</i>	<u><u>\$247,222</u></u>	<u><u>\$82,380</u></u>	<u><u>\$329,602</u></u>

See accompanying notes to the basic financial statements

**Perry County District Library, Perry County**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis

For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$93,600	\$93,600	\$88,359	(\$5,241)
Library and Local Government Support	1,100,000	1,100,000	1,095,078	(4,922)
Intergovernmental	7,200	7,200	26,746	19,546
Patron, Fines and Fees	30,000	30,000	29,338	(662)
Contributions, Gifts and Donations	5,000	5,000	2,836	(2,164)
Earnings on Investments	2,500	2,500	8,351	5,851
Miscellaneous	32,200	32,200	56,491	24,291
<i>Total Receipts</i>	<u>1,270,500</u>	<u>1,270,500</u>	<u>1,307,199</u>	<u>36,699</u>
<b>Disbursements</b>				
Current:				
Library Services	1,278,400	1,326,075	1,223,823	102,252
Capital Outlay	116,462	122,862	67,221	55,641
<i>Total Disbursements</i>	<u>1,394,862</u>	<u>1,448,937</u>	<u>1,291,043</u>	<u>157,893</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(124,362)</u>	<u>(178,437)</u>	<u>16,155</u>	<u>194,592</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	500	500	160	(340)
<i>Total Other Financing Sources (Uses)</i>	<u>500</u>	<u>500</u>	<u>160</u>	<u>(340)</u>
<i>Net Change in Fund Balance</i>	(123,862)	(177,937)	16,315	194,252
<i>Fund Balance Beginning of Year</i>	166,919	166,919	166,919	0
<i>Prior Year Encumbrances Appropriated</i>	<u>21,875</u>	<u>21,875</u>	<u>21,875</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$64,931</u>	<u>\$10,856</u>	<u>\$205,109</u>	<u>\$194,252</u>

See accompanying notes to the basic financial statements

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**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 - Description of the Reporting Entity**

The Perry County District Library, Perry 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 is directed by a seven-member Board of Trustees appointed by the Perry County Commissioners and the Perry 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.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations 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.

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

These financial statements and notes are presented on a 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 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.

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 fund financial statements, which provide a more detailed level of financial information.

***Government-wide Financial Statements:*** The statement of net assets and the statement of activities display information about the Library as a whole.

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

**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**A. Basis of Presentation (continued)**

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.

**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.

**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.

**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.

**Capital Project Fund** – This fund is used to account for receipts that are restricted for the acquisition, construction or repair of major capital projects.

**C. Basis of Accounting**

The government-wide statement of net assets and statement of activities and the fund financial statements are presented using the 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 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, 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. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Library's records. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds. All funds received interest based a prorated share of the pools fund balance at the time of the receipt of the interest.

**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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

**D. Cash and Investments (continued)**

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

**E. 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 Capital Project Fund which is nonexpendable.

**F. Budgetary Data**

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 fund level. The Clerk/Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and 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.

**Note 3 – Change in Format**

The Library has adopted a new financial statement format prescribed by GASB Statement No. 34 and included the related disclosures.

**Note 4 - Grants-In-Aid and Tax Receipts**

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.

**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

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.

**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 5 - Deposits and Investments (Continued)**

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, \$272,708 of the Library's bank balance of \$372,708 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.

**Note 6 – Risk Management**

The Perry County District Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**Note 7 – Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

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 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 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**Perry County District Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 8 – Post-employment Benefits**

**Ohio Public Employees Retirement System**

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 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.

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. 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.



**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***

Perry County Library Association  
Perry County  
117 South Jackson Street  
New Lexington, Ohio 43764

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 Perry County District Library, Perry County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 5, 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 in order to express our opinion 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.

**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*.

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Perry County District Library  
Perry County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 5, 2006



**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**PERRY COUNTY DISTRICT LIBRARY**

**PERRY 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  
JULY 25, 2006**