



**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

REGULAR AUDIT

**FOR THE YEARS ENDED DECEMBER 31, 2005
AND DECEMBER 31, 2004**



**Auditor of State
Betty Montgomery**

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Pickaway County District Library
Pickaway County
1160 North Court Street
Circleville, Ohio 43113

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 Pickaway County District Library, Pickaway County, Ohio, (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 cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickaway County District Library, Pickaway County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis 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 Standard 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 15, 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 15, 2006

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

This discussion and analysis of the Pickaway County District Library, Pickaway County, Ohio (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 Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$382,728, or 11.5% percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts. These receipts represent 89.7 percent of the total cash received for governmental activities during the year.

The Library had \$1,684,006 in disbursements relating to governmental activities; \$23,712 of these disbursements is offset by program specific operating or capital grants and contributions.

The Library received two bequests totaling \$11,000 as unrestricted donations to the General Fund.

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$298,980, or 9.9% percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Motor Vehicle Replacement Fund.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts. These receipts represent 94.1 percent of the total cash received for governmental activities during the year.

The Library had \$1,660,439 in disbursements relating to governmental activities; \$11,764 of these disbursements is offset by program specific operating or capital grants and contributions.

The Library received a bequest in the amount of \$2,949 as an unrestricted donation to the General Fund.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

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

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2004, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities - All of the Library's basic services are reported here, including library services and capital outlay. The Library and Local Government Support receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are classified as governmental funds.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, the Capital Improvements/Main Fund, and the Motor Vehicle Replacement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	<u>\$3,715,667</u>	<u>\$3,332,939</u>
Total Assets	<u>\$3,715,667</u>	<u>\$3,332,939</u>
Net Assets		
Restricted for:		
Capital Projects	368,733	351,512
Other Purposes	7,980	1,268
Unrestricted	<u>3,338,954</u>	<u>2,980,159</u>
Total Net Assets	<u>\$3,715,667</u>	<u>\$3,332,939</u>

As mentioned previously, net assets of governmental activities increased \$382,728, or 11.5% percent during 2005. This increase can be attributed to several factors. With a recovering economy, interest on investments nearly tripled from 2004. The General Fund accounted for the majority of the increase in total assets. With library funding from the State frozen at 2004 levels, the Library continued its conservative spending during 2005, which accounted for the savings and increase in assets. Areas of savings over budgeted or expected expenditures included the following:

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

- Two part-time positions remained unfilled in 2005. The Library received its lowest health insurance rate increase in five years of 1.25%, as compared to increases in the past of 12% - 33%.
- Only 42% of the building, equipment, and vehicle repair budget was needed. Expected roof repair costs for the main library building were lower than expected, while the bookmobile and van operated with minor mechanical repairs.
- Overall utility costs were lower than expected.
- The Library materials budget was increased by 5% over 2004. This increase, however, only brought the materials budget to the 2003 level.

Table 2 reflects the changes in net assets in 2005 and 2004.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	2004
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$9,312	\$2,289
Capital Grants and Contributions	14,400	9,475
Total Program Receipts	<u>23,712</u>	<u>11,764</u>
General Receipts:		
Library and Local Government Support	1,854,662	1,844,490
Unrestricted Gifts and Contributions	12,415	3,099
Interest	100,241	38,091
Miscellaneous	75,704	61,975
Total General Receipts	<u>2,043,022</u>	<u>1,947,655</u>
Total Receipts	<u>2,066,734</u>	<u>1,959,419</u>
Disbursements:		
Salaries	760,695	752,658
Employee Fringe Benefits	294,642	299,650
Purchased and Contracted Services	261,405	220,999
Library Materials and Information	260,940	269,552
Supplies	41,659	37,262
Other	8,180	7,658
Capital Outlay	56,485	72,660
Total Disbursements	<u>1,684,006</u>	<u>1,660,439</u>
Increase (Decrease) in Net Assets	382,728	298,980
Net Assets, January 1	3,332,939	3,033,959
Net Assets, December 31	<u><u>\$3,715,667</u></u>	<u><u>\$3,332,939</u></u>

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Program receipts represent only 1 percent of total receipts in 2005 and 2004 and are primarily comprised of restricted contributions, gifts, and donations.

General receipts represent 99 percent of the Library's total receipts, and of this amount, 90.8 percent for 2005 and 94.7 percent for 2004 are Library and Local Government Support Funds. Miscellaneous receipts, unrestricted gifts and contributions, and interest make up the balance of the Library's general receipts.

Disbursements represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of public service programs, facility operation and maintenance, and the library branch office, as well as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and employee fringe benefits, which account for 45 and 18 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by general revenues. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services:		
Salaries	\$760,695	\$760,695
Employee Fringe Benefits	294,642	294,642
Purchased and Contracted Services	261,405	260,660
Library Materials and Information	260,940	258,673
Supplies	41,659	41,659
Other	8,180	8,180
Capital Outlay	56,485	35,785
Total Expenses	<u>\$1,684,006</u>	<u>\$1,660,294</u>

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
Library Services:		
Salaries	\$752,658	\$752,658
Employee Fringe Benefits	299,650	299,650
Purchased and Contracted Services	220,999	220,624
Library Materials and Information	269,552	267,768
Supplies	37,262	37,132
Other	7,658	7,658
Capital Outlay	72,660	63,185
Total Expenses	<u>\$1,660,439</u>	<u>\$1,648,675</u>

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

The Library's Funds

In 2005, total governmental funds had receipts of \$2,066,734 and disbursements of \$1,684,006. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$302,132, due primarily to conservative spending based on State funding. Disbursements for library materials, including carryover encumbrances, remained at 2003 levels. Two budgeted staff positions remained open, while health insurance premiums increased only 1.25%. The Library does not employ any facility management staff, but subcontracts all building, equipment, and vehicle repairs. Thus, the Contracted Services line item of the financial statements can vary significantly from year to year. In 2005, repair costs were much lower than expected.

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

In 2004, total governmental funds had receipts of \$1,959,419 and disbursements of \$1,660,439. The greatest change within governmental funds occurred within the Motor Vehicle Replacement Fund, due to a transfer received from the Capital Improvements/Main Fund. The Capital Improvements/Main Fund supports normal capital improvements and major repairs at the main library. The Motor Vehicle Replacement Fund supports the future replacement costs of the bookmobile, Storytime on Wheels van, and any additional vehicles deemed necessary in the future. Capital Outlay disbursements decreased significantly due to the completion of a building project during 2003.

General Fund Budgeting Highlights

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

During 2005 and 2004, the Library amended its General Fund budget to reflect changing circumstances. In both years, final budgeted receipts were greater than original budgeted receipts due to unexpected increases in several line items. The difference between final budgeted receipts and actual receipts was not significant.

In 2005, final disbursements were budgeted at \$2,104,324 while actual disbursements were \$1,738,903. Also, in 2004, final disbursements were budgeted at \$2,041,512 while actual disbursements were \$1,683,025. While the Library did not reduce appropriations to reflect the decrease in necessary disbursements, the Library did not spend more than was appropriated.

Capital Assets and Debt Administration

Capital Assets

The Library does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt

The Library has capital leases in the amount of \$61,631, including interest, outstanding as of December 31, 2005. See Note 9 for more detail on the Capital Leases.

Current Issues

Funding from the State of Ohio for the Library and Local Government Support Fund (LLGSF) was frozen at the 2004 level for 2005 and future funding is uncertain. The Library has been conservative in its spending and prudent with its necessary resources, such as supplies. The Board of Trustees made the decision to remain closed on Sundays following the opening of the new main library in 2003. There has been little growth in overall spending for library materials, one major area in which costs can be controlled. The Library will be challenged to continue to maintain the current level of services and programs due to the uncertainty of future funding and ordinary inflation. The Board of Trustees and Library administration must maintain careful financial planning and prudent fiscal management in order to provide services needed and to balance the budget annually.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Angela Agosta, Clerk-Treasurer, Pickaway County District Library, 1160 North Court Street, Circleville, Ohio 43113.

PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,715,667</u>
<i>Total Assets</i>	<u><u>\$3,715,667</u></u>
Net Assets	
Restricted for:	
Capital Projects	368,733
Other Purposes	7,980
Unrestricted	<u>3,338,954</u>
<i>Total Net Assets</i>	<u><u>\$3,715,667</u></u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	<u>Program Cash Receipts</u>		Net (Disbursements) Receipts and Changes in Net Assets	
	<u>Cash Disbursements</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities				
Salaries	\$760,695	\$0	\$0	(\$760,695)
Employee Fringe Benefits	294,642	0	0	(294,642)
Purchased and Contracted Services	261,405	745	0	(260,660)
Library Materials and Information	260,940	2,267	0	(258,673)
Supplies	41,659	0	0	(41,659)
Other	8,180	0	0	(8,180)
Capital Outlay	56,485	6,300	14,400	(35,785)
<i>Total Governmental Activities</i>	<u>1,684,006</u>	<u>9,312</u>	<u>14,400</u>	<u>(1,660,294)</u>
General Receipts				
Library and Local Government				1,854,662
Unrestricted Gifts and Contributions				12,415
Interest				100,241
Miscellaneous				<u>75,704</u>
<i>Total General Receipts</i>				2,043,022
Change in Net Assets				382,728
<i>Net Assets Beginning of Year</i>				<u>3,332,939</u>
<i>Net Assets End of Year</i>				<u><u>\$3,715,667</u></u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	<u>General</u>	<u>Capital Improvements/ Main</u>	<u>Motor Vehicle Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,614,267	\$1,474,932	\$452,650	\$173,818	\$3,715,667
<i>Total Assets</i>	<u>\$1,614,267</u>	<u>\$1,474,932</u>	<u>\$452,650</u>	<u>\$173,818</u>	<u>\$3,715,667</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	57,497	0	0	5,331	62,828
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,556,770	0	0	0	1,556,770
Special Revenue Funds	0	0	0	2,649	2,649
Capital Projects Funds	0	1,474,932	452,650	165,838	2,093,420
<i>Total Fund Balances</i>	<u>\$1,614,267</u>	<u>\$1,474,932</u>	<u>\$452,650</u>	<u>\$173,818</u>	<u>\$3,715,667</u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	General	Capital Improvements/ Main	Motor Vehicle Replacement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$1,854,662	\$0	\$0	\$0	\$1,854,662
Patron Fines and Fees	64,851	0	0	0	64,851
Contributions, Gifts and Donations	12,415	9,400	0	14,312	36,127
Earnings on Investments	40,757	59,484	0	0	100,241
Miscellaneous	10,853	0	0	0	10,853
<i>Total Receipts</i>	<u>1,983,538</u>	<u>68,884</u>	<u>0</u>	<u>14,312</u>	<u>2,066,734</u>
Disbursements					
Current:					
Salaries	760,695	0	0	0	760,695
Employee Fringe Benefits	294,642	0	0	0	294,642
Purchased and Contracted Services	260,706	0	0	699	261,405
Library Materials and Information	259,744	0	0	1,196	260,940
Supplies	41,659	0	0	0	41,659
Other	8,180	0	0	0	8,180
Capital Outlay	55,780	0	0	705	56,485
<i>Total Disbursements</i>	<u>1,681,406</u>	<u>0</u>	<u>0</u>	<u>2,600</u>	<u>1,684,006</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>302,132</u>	<u>68,884</u>	<u>0</u>	<u>11,712</u>	<u>382,728</u>
<i>Fund Balances Beginning of Year</i>	<u>1,312,135</u>	<u>1,406,048</u>	<u>452,650</u>	<u>162,106</u>	<u>3,332,939</u>
<i>Fund Balances End of Year</i>	<u>\$1,614,267</u>	<u>\$1,474,932</u>	<u>\$452,650</u>	<u>\$173,818</u>	<u>\$3,715,667</u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$1,840,000	\$1,854,000	\$1,854,662	\$662
Patron Fines and Fees	33,750	62,100	64,851	2,751
Contributions, Gifts and Donations	700	12,100	12,415	315
Earnings on Investments	12,000	40,000	40,757	757
Miscellaneous	1,000	10,700	10,853	153
<i>Total Receipts</i>	<u>1,887,450</u>	<u>1,978,900</u>	<u>1,983,538</u>	<u>4,638</u>
Disbursements				
Current:				
Salaries	831,000	831,000	818,192	12,808
Employee Fringe Benefits	361,038	362,538	294,642	67,896
Purchased and Contracted Services	398,007	419,335	260,706	158,629
Library Materials and Information	330,786	330,786	259,744	71,042
Supplies	81,218	81,218	41,659	39,559
Other	31,775	17,275	8,180	9,095
Capital Outlay	70,500	62,172	55,780	6,392
<i>Total Disbursements</i>	<u>2,104,324</u>	<u>2,104,324</u>	<u>1,738,903</u>	<u>365,421</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(216,874)</u>	<u>(125,424)</u>	<u>244,635</u>	<u>370,059</u>
<i>Fund Balance Beginning of Year</i>	1,288,483	1,288,483	1,288,483	0
Prior Year Encumbrances Appropriated	<u>23,652</u>	<u>23,652</u>	<u>23,652</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,095,261</u>	<u>\$1,186,711</u>	<u>\$1,556,770</u>	<u>\$370,059</u>

See accompanying notes to the basic financial statements

PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,332,939</u>
<i>Total Assets</i>	<u><u>\$3,332,939</u></u>
Net Assets	
Restricted for:	
Capital Projects	351,512
Other Purposes	1,268
Unrestricted	<u>2,980,159</u>
<i>Total Net Assets</i>	<u><u>\$3,332,939</u></u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	<u>Program Cash Receipts</u>		Net (Disbursements) Receipts and Changes in Net Assets	
	<u>Cash Disbursements</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities				
Salaries	\$752,658	\$0	\$0	(\$752,658)
Employee Fringe Benefits	299,650	0	0	(299,650)
Purchased and Contracted Services	220,999	375	0	(220,624)
Library Materials and Information	269,552	1,784	0	(267,768)
Supplies	37,262	130	0	(37,132)
Other	7,658	0	0	(7,658)
Capital Outlay	72,660	0	9,475	(63,185)
<i>Total Governmental Activities</i>	<u>1,660,439</u>	<u>2,289</u>	<u>9,475</u>	<u>(1,648,675)</u>
General Receipts				
Library and Local Government				1,844,490
Unrestricted Gifts and Contributions				3,099
Interest				38,091
Miscellaneous				<u>61,975</u>
<i>Total General Receipts</i>				1,947,655
Change in Net Assets				298,980
<i>Net Assets Beginning of Year</i>				<u>3,033,959</u>
<i>Net Assets End of Year</i>				<u><u>\$3,332,939</u></u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	<u>General</u>	<u>Capital Improvements/ Main</u>	<u>Motor Vehicle Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,312,134	\$1,406,048	\$452,650	\$162,107	\$3,332,939
<i>Total Assets</i>	<u>\$1,312,134</u>	<u>\$1,406,048</u>	<u>\$452,650</u>	<u>\$162,107</u>	<u>\$3,332,939</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	23,652	0	0	116	23,768
Unreserved:					
Undesignated , Reported in:					
General Fund	1,288,482	0	0	0	1,288,482
Special Revenue Funds	0	0	0	1,152	1,152
Capital Projects Funds	0	1,406,048	452,650	160,839	2,019,537
<i>Total Fund Balances</i>	<u>\$1,312,134</u>	<u>\$1,406,048</u>	<u>\$452,650</u>	<u>\$162,107</u>	<u>\$3,332,939</u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	General	Capital Improvements/ Main	Motor Vehicle Replacement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$1,844,490	\$0	\$0	\$0	\$1,844,490
Patron Fines and Fees	60,308	0	0	0	60,308
Contributions, Gifts and Donations	3,589	9,475	0	1,799	14,863
Earnings on Investments	14,601	23,490	0	0	38,091
Miscellaneous	1,667	0	0	0	1,667
<i>Total Receipts</i>	<u>1,924,655</u>	<u>32,965</u>	<u>0</u>	<u>1,799</u>	<u>1,959,419</u>
Disbursements					
Current:					
Salaries	752,658	0	0	0	752,658
Employee Fringe Benefits	299,650	0	0	0	299,650
Purchased and Contracted Services	220,999	0	0	0	220,999
Library Materials and Information	268,634	0	0	918	269,552
Supplies	37,114	0	0	148	37,262
Other	7,658	0	0	0	7,658
Capital Outlay	72,660	0	0	0	72,660
<i>Total Disbursements</i>	<u>1,659,373</u>	<u>0</u>	<u>0</u>	<u>1,066</u>	<u>1,660,439</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>265,282</u>	<u>32,965</u>	<u>0</u>	<u>733</u>	<u>298,980</u>
Other Financing Sources (Uses)					
Transfers In	0	400,000	452,650	160,839	1,013,489
Transfers Out	(400,000)	(613,489)	0	0	(1,013,489)
<i>Total Other Financing Sources (Uses)</i>	<u>(400,000)</u>	<u>(213,489)</u>	<u>452,650</u>	<u>160,839</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(134,718)</u>	<u>(180,524)</u>	<u>452,650</u>	<u>161,572</u>	<u>298,980</u>
<i>Fund Balances Beginning of Year</i>	<u>1,446,852</u>	<u>1,586,572</u>	<u>0</u>	<u>535</u>	<u>3,033,959</u>
<i>Fund Balances End of Year</i>	<u>\$1,312,134</u>	<u>\$1,406,048</u>	<u>\$452,650</u>	<u>\$162,107</u>	<u>\$3,332,939</u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$1,840,455	\$1,844,455	\$1,844,490	\$35
Patron Fines and Fees	33,750	57,250	60,308	3,058
Contributions, Gifts and Donations	700	3,200	3,589	389
Earnings on Investments	15,000	15,000	14,601	(399)
Miscellaneous	1,000	1,000	1,667	667
<i>Total Receipts</i>	<u>1,890,905</u>	<u>1,920,905</u>	<u>1,924,655</u>	<u>3,750</u>
Disbursements				
Current:				
Salaries	818,600	818,600	776,310	42,290
Employee Fringe Benefits	350,316	350,316	299,650	50,666
Purchased and Contracted Services	357,399	370,799	220,999	149,800
Library Materials and Information	313,051	311,051	268,634	42,417
Supplies	79,500	79,500	37,114	42,386
Other	29,650	21,650	7,658	13,992
Capital Outlay	92,996	89,596	72,660	16,936
<i>Total Disbursements</i>	<u>2,041,512</u>	<u>2,041,512</u>	<u>1,683,025</u>	<u>358,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(150,607)</u>	<u>(120,607)</u>	<u>241,630</u>	<u>362,237</u>
Other Financing (Uses)				
Transfers Out	0	(400,000)	(400,000)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(150,607)</u>	<u>(520,607)</u>	<u>(158,370)</u>	<u>362,237</u>
<i>Fund Balance Beginning of Year</i>	1,410,644	1,410,644	1,410,644	0
Prior Year Encumbrances Appropriated	36,208	36,208	36,208	0
<i>Fund Balance End of Year</i>	<u>\$1,296,245</u>	<u>\$926,245</u>	<u>\$1,288,482</u>	<u>\$362,237</u>

See accompanying notes to the basic financial statements

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 1 – Description of the Reporting Entity

The Pickaway County District Library was organized as a county public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members. Four are appointed by the Pickaway County Commissioners and three are appointed by the Pickaway County Common Pleas Judge. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

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

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

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library participates in the Central Library Consortium, a joint venture. In addition, the Ohio Valley Area Libraries (OVAL), is a jointly governed organization of the Library. See Notes 10 and 11 to the financial statements that provide additional information for these entities.

The Friends of the Pickaway County District Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library receives an insignificant amount of resources from the Friends of the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements for the governmental activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide 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. These statements include the financial activities of the primary government. Governmental activities generally are financed through intergovernmental receipts, other nonexchange transactions, interest income, and patron fines and fees.

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

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Library are classified as governmental funds.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Improvements/Main Fund – This fund is used to account for receipts that are restricted for the acquisition, construction, or repair of major capital projects for the main library.

Motor Vehicle Replacement Fund – This fund is used to account for receipts that are restricted for the acquisition or replacement of Library vehicles.

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

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

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

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

E. Cash and Investments

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

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

During 2005 and 2004, investments were limited to STAR Ohio.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general and capital improvements/main fund amounted to \$40,757 and \$59,484 during 2005 and \$14,601 and \$23,490 during 2004.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library does not have any restricted assets.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. 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 capital projects include resources received for various construction and capital improvement projects completed by the Library. Net assets restricted for other purposes include resources restricted by the nature of contributions.

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.

L. Long-Term Obligations

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

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balances reserves have been established for encumbrances.

M. Interfund Transactions

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

Note 3 – Change in Basis of Accounting

For year ended December 31, 2003 the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. The Library has implemented the cash basis of accounting described in note 2 for the years ended December 31, 2005 and 2004. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 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 Cash Basis Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at 2005 and 2004 year end (budgetary basis) for the General Fund totaled \$57,497 and \$23,652, respectively.

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 Trustees have 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.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 5 – Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end December 31, 2005 and 2004, the Library had \$600 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk 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 December 31, 2004,

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 5 – Deposits and Investments (continued)

\$69,473 of the Library's bank balance of \$169,473 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. At December 31, 2005 the Library's bank balance was not exposed to custodial credit risk.

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.

Investments

As of December 31, 2005 and 2004, the Library had the following investments:

	Carrying Value at Dec. 31, 2005	Carrying Value at Dec. 31, 2004	Maturity
STAR Ohio	\$3,690,655	\$3,179,718	Average

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Risk Management

The Pickaway County District Library maintains with private carriers insurance coverage which includes comprehensive property and general liability coverage, vehicle coverage, crime coverage, including employee dishonesty and theft, disappearance and destruction, and inland marine coverage. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 7 – Defined Benefit Pension Plan (continued)

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

For the years ended December 31, 2005 and 2004, the members of all three plans were required to contribute 9.5 and 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, 2004, and 2003 were \$154,365, \$163,338, and \$160,341 respectively. The full amount has been contributed for 2005, 2004, and 2003.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 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 and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$43,260. 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.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 8 - Postemployment Benefits (continued)

A. Ohio Public Employees Retirement System (continued)

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.

Note 9 - Capital Leases

The Library leases two copiers and a postage machine and in 2005 entered into a 3-year lease agreement for computers. The Library disbursed \$25,153 to pay lease costs for the year ended December 31, 2005. Future lease payments are as follows:

Year	Amount
2006	\$25,189
2007	25,189
2008	4,092
2009	4,092
2010	3,069
Total	<u>\$61,631</u>

Note 10 - Joint Ventures

The Library is a member of the Central Library Consortium (the CLC). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system. The CLC, which commenced on June 13, 1988, has seven members consisting of the Fairfield County District Library, Grandview Heights Public Library, Pickerington Public Library, Wagnalls Memorial Library, Pickaway County District Library, Marysville Public Library, and Plain City Public Library. A council consisting of one appointed representative by each member library governs the CLC. The Grandview Heights Public Library accounts for the CLC's financial operations. Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Library has no explicit and measurable equity interest in the venture. The Library's only ongoing financial responsibility to the CLC is for participating projects that have been entered into by the Library.

In 2005, the Library paid \$67,431 for annual fees to the Central Library Consortium (CLC). In 2004, the Library paid \$62,196 in fees to the CLC, \$53,586 for annual fees and \$8,610 for its cost-share of Smart Access Manager, a filtering, PC management, and print management product.

**PICKAWAY COUNTY DISTRICT LIBRARY
PICKAWAY COUNTY**

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

Note 11 – Jointly Governed Organizations

The Ohio Valley Area Libraries (OVAL) is an area Library service organization created and governed according to the provisions of sections 3375.70 through 3375.73 of the Ohio Revised Code. OVAL is comprised of autonomous public libraries in the Ohio Counties of Athens, Fairfield, Gallia, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto, and Vinton. OVAL's Board of Trustees consists of the Director from each of the member libraries. The Pickaway County District Library's control over budgeting and financing of OVAL is limited to its voting authority and its representation on OVAL's Board of Trustees.

The Library pays an annual fee, as well as training workshop fees, to the Ohio Valley Area Libraries (OVAL), a jointly governed organization of which the Library is a member. In 2005 and 2004, the Library paid \$1,760 and \$1,495 to OVAL, respectively.

Note 12 - Interfund Transfers

The general fund transferred \$400,000 to the capital improvement - main capital projects fund for the purchase and maintenance of various items throughout the Library. In addition, the capital improvement – main fund transferred \$452,650 to the motor vehicle replacement fund and \$160,839 to the other governmental funds for the replacement of library vehicles and for the purchase and maintenance of various items throughout the Library.

Note 13 – Subsequent Events

In addition, the Library accepted an estate donation of \$129,731 on February 2, 2006, and an estate donation of \$4,000,000 on April 6, 2006.

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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*

Pickaway County District Library
Pickaway County
1160 North Court Street
Circleville, Ohio 43113

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 the Pickaway County District Library, Pickaway County, Ohio (the Library) as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated August 15, 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 opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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 15, 2006



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

PICKAWAY COUNTY DISTRICT LIBRARY

PICKAWAY 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
SEPTEMBER 28, 2006**