



**Auditor of State
Betty Montgomery**

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

St. Marys Community Public Library
Auglaize County
140 South Chestnut Street
St. Marys, Ohio 45885

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 St. Marys Community Public Library, Auglaize County, (the Library), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2005 and December 31, 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Memorial Fund, and Sheets Trust Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 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 27, 2006

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

This discussion and analysis of the St. Marys Community Public Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year 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 and 2004 are as follows:

Net assets of governmental activities increased \$4,420, or 2.7 percent during 2005, and \$8,000, or 5.1% during 2004. The fund most affected by the increase in cash and cash equivalents was the General Fund during 2005 and the Memorial Fund during 2004.

The Library's general receipts are primarily library and local government support fund monies and patron fines and fees. These receipts represent respectively 96.40 and 1.90 percent and 93.29 and 2.06 percent of the total cash received for governmental activities during the 2005 and 2004 respectively. Library and local government support fund monies for 2005 and 2004 changed very little compared to 2004 and 2003 as library support funding was frozen.

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.

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.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

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 cash basis 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 charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the 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 non-financial factors the condition of the Library's capital assets, reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as local library funding.

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

Governmental activities - All of the Library's basic services are reported here. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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.

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 non-major 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, Memorial Fund and the Sheets Endowment Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 and 2003 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2005	2004	2003
Assets			
Cash and Cash Equivalents	\$168,856	\$164,436	\$155,546
Total Assets	<u>168,856</u>	<u>164,436</u>	<u>155,546</u>
Net Assets			
Restricted for:			
Capital Outlay	1,593	3,372	7,371
Other Purposes	102,204	102,654	92,604
Unrestricted	<u>65,059</u>	<u>58,410</u>	<u>55,571</u>
Total Net Assets	<u>\$168,856</u>	<u>\$164,436</u>	<u>\$155,546</u>

As mentioned previously, net assets of governmental activities increased \$4,402 or 2.7 percent during 2005 and \$8,000 or 5.1 percent during 2004. The primary reasons contributing to the increases in cash balances are as follows:

- Retiring employee positions were not filled.
- Health benefit costs have remained steady and several employees participated in a new insurance plan reducing premiums.

Table 2 reflects the changes in net assets during 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

(Table 2)

Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$11,113	\$11,942
Operating Grants and Contributions	715	1,550
Total Program Receipts	<u>11,828</u>	<u>13,492</u>
General Receipts:		
Unrestricted Gifts and Contributions	2,875	21,352
Grants and Entitlements Not Restricted to Specific Programs	532,295	529,384
Earnings on Investments	3,453	1,548
Miscellaneous	1,706	1,662
Total General Receipts	<u>540,329</u>	<u>553,946</u>
Total Receipts	<u>552,157</u>	<u>567,438</u>
Disbursements:		
Library Services	536,740	542,500
Capital Outlay	10,997	16,938
Total Disbursements	<u>547,737</u>	<u>559,438</u>
Change in Net Assets	4,420	8,000
Net Assets, January 1	<u>164,436</u>	<u>156,436</u>
Net Assets, December 31	<u>\$168,856</u>	<u>\$164,436</u>

Program receipts represent only 2.1 and 2.4 percent of total receipts for 2005 and 2004 respectively and are primarily comprised of patron fines and fees and contributions.

General receipts represent 97.9 and 97.6 percent of the Library's total receipts for 2005 and 2004 respectively, and of this amount, over 98.5 and 95.6 percent in 2005 and 2004 respectively are local library support funds. Gifts and contributions and interest receipts make up the balance of the Library's general receipts (1.2 and 4.1 percent for 2005 and 2004 respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the library staff payroll, travel, and utilities. Since these costs do not represent direct services to residents, we try to limit these costs to 60% of General Fund unrestricted receipts.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

Governmental Activities

If you look at the Statement of Activities for 2005 and 2004, 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 books and materials, which account for 13.79 and 14.02 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 local taxpayers. 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.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services	\$536,740	(\$524,912)
Capital Outlay	10,997	(10,997)
Total Expenses	\$547,737	(\$535,909)

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
Library Services	\$542,500	(\$529,008)
Capital Outlay	16,938	(16,938)
Total Expenses	\$559,438	(\$545,946)

The dependence upon local library funds is apparent as over 97 percent of governmental activities are supported through these general receipts, for 2005 and 2004 respectively.

The Library's Funds

Total governmental funds had receipts of \$552,157 and disbursements of \$547,736 for 2005 and receipts of \$567,438 and disbursements of \$559,438 for 2004. The greatest change within governmental funds occurred within the General Fund during 2005 and the Memorial Fund during 2004. The fund balance of the General Fund increased \$6,649 in 2005 as a result of more interest being earned. The fund balance of the Memorial Fund during 2004 increased \$9,077 as a result of more contributions being made.

General Fund receipts were more than disbursements by \$6,649 in 2005 and \$1,949 during 2004, indicating that the General Fund is in a positive spending situation.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

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 several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased contributions and local library government support. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$585,094 for 2005 and \$590,022 for 2004 while actual disbursements were \$554,709 for 2005 and \$555,308 for 2004. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$6,649 for 2005 and \$1,949 for 2004.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on government support. Our newly prepared financial forecast predicts that if local government funding remains as predicted, library spending will remain steady.

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 Robert Maurer, Clerk-Treasurer, St Marys Community Public Library, 140 S. Chestnut Street, St. Marys, Ohio 45885.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$168,856</u>
Total Assets	<u><u>168,856</u></u>
Net Assets	
Restricted for:	
Capital Projects	1,593
Other Purposes	102,204
Unrestricted	<u>65,059</u>
Total Net Assets	<u><u>\$168,856</u></u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Library Services	\$536,740	\$11,113	\$715	(\$524,912)
Capital Outlay	10,997			(10,997)
Total Governmental Activities	\$547,737	\$11,113	\$715	(535,909)
 General Receipts				
Unrestricted Gifts and Contributions				2,875
Grants and Entitlements not Restricted to Specific Programs				532,295
Earnings on Investments				3,453
Miscellaneous				1,706
Total General Receipts				540,329
Change in Net Assets				4,420
Net Assets Beginning of Year				164,436
Net Assets End of Year				\$168,856

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Sheets Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$65,059</u>	<u>\$48,100</u>	<u>\$54,104</u>	<u>\$1,593</u>	<u>\$168,856</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	12,567	65			12,632
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	52,492				52,492
Special Revenue Funds		48,035	54,104		102,139
Capital Projects Funds				1,593	1,593
Total Fund Balances	<u>\$65,059</u>	<u>\$48,100</u>	<u>\$54,104</u>	<u>\$1,593</u>	<u>\$168,856</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Sheets Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash Receipts					
Library and Local Government Support	\$532,295				\$532,295
Patron, Fines and Fees	10,788				10,788
Contributions, Gifts and Donations	3,490			100	3,590
Earnings on Investments	187	970	2,288	7	3,452
Miscellaneous	2,031				2,031
	<u>548,791</u>	<u>970</u>	<u>2,288</u>	<u>107</u>	<u>552,156</u>
Cash Disbursements					
Current:					
Library Services	533,032	3,708			536,740
Capital Outlay	9,110			1,886	10,996
	<u>542,142</u>	<u>3,708</u>		<u>1,886</u>	<u>547,736</u>
Receipts Over (Under) Disbursements	6,649	(2,738)	2,288	(1,779)	4,420
Fund Balances Beginning of Year	<u>58,410</u>	<u>50,838</u>	<u>51,816</u>	<u>3,372</u>	<u>164,436</u>
Fund Balances End of Year	<u><u>\$65,059</u></u>	<u><u>\$48,100</u></u>	<u><u>\$54,104</u></u>	<u><u>\$1,593</u></u>	<u><u>\$168,856</u></u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Cash Receipts				
Library and Local Government Support	\$529,000	\$529,000	\$532,295	\$3,295
Patron, Fines and Fees	11,639	11,639	10,788	(851)
Contributions, Gifts and Donations	1,030	1,030	3,490	2,460
Earnings on Investments	412	412	187	(225)
Miscellaneous			2,031	2,031
Total Receipts	<u>542,081</u>	<u>542,081</u>	<u>548,791</u>	<u>6,710</u>
Cash Disbursements				
Current:				
Library Services	559,595	575,822	545,599	30,223
Capital Outlay	5,000	9,272	9,110	162
Total Disbursements	<u>564,595</u>	<u>585,094</u>	<u>554,709</u>	<u>30,385</u>
Receipts Over (Under) Disbursements	(22,514)	(43,013)	(5,918)	37,095
Other Financing (Uses)				
Other Financing Uses	(35,405)	(19,421)		19,421
Net Change in Fund Balance	(57,919)	(62,434)	(5,918)	56,516
Fund Balance Beginning of Year	47,855	47,855	47,855	
Prior Year Encumbrances Appropriated	10,555	10,555	10,555	
Fund Balance End of Year	<u>\$491</u>	<u>(\$4,024)</u>	<u>\$52,492</u>	<u>\$56,516</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Earnings on Investments			\$970	\$970
Total Receipts			970	970
Cash Disbursements				
Current:				
Library Services	10,000	10,162	3,773	6,389
Total Disbursements	10,000	10,162	3,773	6,389
Receipts (Under) Disbursements	(10,000)	(10,162)	(2,803)	7,359
Fund Balance Beginning of Year	50,323	50,323	50,323	
Prior Year Encumbrances Appropriated	515	515	515	
Fund Balance End of Year	<u>\$40,838</u>	<u>\$40,676</u>	<u>\$48,035</u>	<u>\$7,359</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Earnings on Investments			\$2,288	\$2,288
Cash Disbursements			0	
Receipts Over Disbursements			2,288	2,288
Fund Balance Beginning of Year	51,816	51,816	51,816	
Prior Year Encumbrances Appropriated				
Fund Balance End of Year	<u>\$51,816</u>	<u>\$51,816</u>	<u>\$54,104</u>	<u>\$2,288</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$164,436</u>
Total Assets	<u><u>164,436</u></u>
Net Assets	
Restricted for:	
Capital Projects	3,372
Other Purposes	102,654
Unrestricted	<u>58,410</u>
Total Net Assets	<u><u>\$164,436</u></u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
Governmental Activities			
Library Services	\$542,500	\$11,942	\$1,550
Capital Outlay	16,938		(\$529,008)
	<u>16,938</u>		<u>(16,938)</u>
Total Governmental Activities	<u>\$559,438</u>	<u>\$11,942</u>	<u>\$1,550</u>
			<u>(545,946)</u>
General Receipts			
Unrestricted Gifts and Contributions			21,352
Grants and Entitlements not Restricted to Specific Programs			529,384
Earnings on Investments			1,548
Miscellaneous			1,662
			<u>1,662</u>
Total General Receipts			<u>553,946</u>
Change in Net Assets			8,000
Net Assets Beginning of Year			156,436
			<u>156,436</u>
Net Assets End of Year			<u>\$164,436</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Sheets Endowment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$58,410	\$50,838	\$51,816	\$3,372	\$164,436
Total Assets	<u>58,410</u>	<u>50,838</u>	<u>51,816</u>	<u>3,372</u>	<u>164,436</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	10,555	515			11,070
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	47,855				47,855
Special Revenue Funds		50,323	51,816		102,139
Capital Projects Funds				3,372	3,372
Total Fund Balances	<u>\$58,410</u>	<u>\$50,838</u>	<u>\$51,816</u>	<u>\$3,372</u>	<u>\$164,436</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	General Fund	Memorial Fund	Sheets Endowment Fund	Other Governmental Funds	Total
Cash Receipts					
Library and Local Government Support	\$529,384				\$529,384
Patron, Fines and Fees	11,687				11,687
Contributions, Gifts and Donations	3,548	19,054		300	22,902
Earnings on Investments	166	406	973	3	1,548
Miscellaneous	1,917				1,917
Total Receipts	546,702	19,460	973	303	567,438
Cash Disbursements					
Current:					
Library Services	532,117	10,383			542,500
Capital Outlay	12,636			4,302	16,938
Total Disbursements	544,753	10,383		4,302	559,438
Receipts Over (Under) Disbursements	1,949	9,077	973	(3,999)	8,000
Fund Balances Beginning of Year	56,461	41,761	50,843	7,371	156,436
Fund Balances End of Year	<u>\$58,410</u>	<u>\$50,838</u>	<u>\$51,816</u>	<u>\$3,372</u>	<u>\$164,436</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts				
Library and Local Government Support	\$526,096	\$526,096	\$529,384	\$3,288
Patron, Fines and Fees	11,300	11,300	11,687	387
Contributions, Gifts and Donations	1,000	1,000	3,548	2,548
Earnings on Investments	400	400	166	(234)
Miscellaneous	1,700	1,700	1,917	217
Total Receipts	<u>540,496</u>	<u>540,496</u>	<u>546,702</u>	<u>6,206</u>
Cash Disbursements				
Current:				
Library Services	563,975	577,386	542,672	34,714
Capital Outlay	12,000	12,636	12,636	
Total Disbursements	<u>575,975</u>	<u>590,022</u>	<u>555,308</u>	<u>34,714</u>
Excess of Receipts (Under) Disbursements	(35,479)	(49,526)	(8,606)	40,920
Other Financing (Uses)				
Other Financing Uses	(8,458)	(2,958)		2,958
Net Change in Fund Balance	(43,937)	(52,484)	(8,606)	43,878
Fund Balance Beginning of Year	48,914	48,914	48,914	
Prior Year Encumbrances Appropriated	7,547	7,547	7,547	
Fund Balance End of Year	<u>\$12,524</u>	<u>\$3,977</u>	<u>\$47,855</u>	<u>\$43,878</u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts				
Contributions, Gifts and Donations	\$2,800	\$2,800	\$19,054	\$16,254
Earnings on Investments			406	406
Total Receipts	<u>2,800</u>	<u>2,800</u>	<u>19,460</u>	<u>16,660</u>
Disbursements				
Current:				
Library Services	<u>10,000</u>	<u>15,000</u>	<u>10,898</u>	<u>4,102</u>
Total Disbursements	<u>10,000</u>	<u>15,000</u>	<u>10,898</u>	<u>4,102</u>
Receipts Over (Under) Disbursements	(7,200)	(12,200)	8,562	20,762
Fund Balance Beginning of Year	37,070	37,070	37,070	
Prior Year Encumbrances Appropriated	<u>4,691</u>	<u>4,691</u>	<u>4,691</u>	
Fund Balance End of Year	<u><u>\$34,561</u></u>	<u><u>\$29,561</u></u>	<u><u>\$50,323</u></u>	<u><u>\$20,762</u></u>

See accompanying notes to the basic financial statements.

**ST MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts				
Earnings on Investments			\$973	\$973
Cash Disbursements			0	
Receipts Over Disbursements			973	973
Fund Balance Beginning of Year	50,843	50,843	50,843	
Fund Balance End of Year	<u>\$50,843</u>	<u>\$50,843</u>	<u>\$51,816</u>	<u>\$973</u>

See accompanying notes to the basic financial statements.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The St. Marys Community Public Library (the Library) was organized as a school district public library during 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the St. Marys City Schools Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

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

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

The Library participates in two public entity risk pools. Note 10 to the financial statements provide additional information for these entities. These organizations are:

Mercer Auglaize Schools Employee Benefit Trust
Ohio Library Council Association Worker's Compensation Group Rating Plan (GRP).

The Friends of the St. Marys Community Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. 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.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Ohio Public Library have been prepared on a modified 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.

A. Basis of Presentation

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

Government-wide Financial Statements

The 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 taxes, intergovernmental receipts and other non-exchange transactions.

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 charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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 in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

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

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts (e.g. grants) and other no-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The General Fund accounts 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.

Sheets Endowment Fund – This Fund began with a donation from the Mary and Joseph Sheets estate and continues to receive interest for the purpose of construction and equipping the new library building.

Memorial Fund – This Fund began with contributions from community members for the purpose of purchasing books and materials for the library.

The other governmental funds of the Library account for 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.

D. Budgetary Process

All 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 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.

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.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2005 and 2004 were \$187 and \$166, respectively.

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. Restricted assets represent donations made for a specific purpose.

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.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 other purposes include resources restricted for resources restricted for Library expansion and book purchases.

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. 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 balance reserves have been established for encumbrances.

3. CHANGE IN BASIS OF ACCOUNTING AND ACCOUNTING PRINCIPLE

During 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During 2004, the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

For 2005, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the Library's financial statements.

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 Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund, the Memorial Fund, and Sheets Fund are 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 outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2005 (budgetary basis) amounted to \$12,566 for the General Fund and \$65 for the Memorial Fund. The encumbrances outstanding at December 31, 2004 (budgetary Basis) amounted to \$10,555 for the General Fund and \$515 for the Memorial Fund.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

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 two 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.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

Deposits

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.

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

	Carrying Value	Maturity
STAR Ohio	\$107,527	Average

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

	Carrying Value	Maturity
STAR Ohio	\$106,148	Average

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

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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005 and 2004, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Cincinnati Insurance Company	Commercial Property	\$2,300,000
France and Associates	General Liability	\$1,000,000
	Errors and Omissions	\$1,000,000
	Library Officials	\$1,000,000

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

6. RISK MANAGEMENT (Continued)

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.

7. DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$26,074, \$26,769, and \$27,022 respectively; the full amount has been contributed for 2005, 2004, and 2003.

8. POSTEMPLOYMENT BENEFITS

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

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

8. POSTEMPLOYMENT BENEFITS (Continued)

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$36,985 and \$37,970, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

9. BOND ISSUE

The St. Marys City School District serves as the taxing authority and has issued tax related debt on behalf of the Library. On June 1, 2000, \$999,900 in bonds were issued for the construction of an addition to the existing community library. The bonds were issued for a period of ten years with final maturity on December 1, 2010. The redemption of the bonds is being handled through a Bond Retirement Debt Service Fund by the School District.

10. PUBLIC ENTITY RISK POOL

A. Worker's Compensation

The Library participates in the Ohio Library Council Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Library by virtue of its grouping and representation with other participants of the GRP. The worker's compensation experience of the participating libraries is calculated as one experience and a common premium rate is applied to all libraries in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to libraries that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**ST. MARYS COMMUNITY PUBLIC LIBRARY
AUGLAIZE COUNTY**

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

10. PUBLIC ENTITY RISK POOL (Continued)

B. Health Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from James Mauntler: Schmidt, Long, and Associates, Inc. 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.



**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**

St. Marys Community Public Library
Auglaize County
140 South Chestnut Street
St. Marys, Ohio 45885

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 St. Marys Community Public Library (the Library) as of and for the year ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 27, 2006 wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 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. In a separate letter to the Library's management dated July 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Library's management dated July 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

July 27, 2006

**ST. MARYS COMMUNITY LIBRARY
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Noncompliance Citation

The St. Marys Community Public Library Employee Handbook, Section 4.8 A 6.b., states that compensatory time must be taken by the end of the month following the month it is earned. Also, **Section 5.2D** states that vacation leave must be taken in the year it was granted unless special permission is granted by the Board of Trustees. Unused vacation may not be carried over the next year. Cassie Wilson received a severance payment for 14 hours of vacation carried over from 2003 without Board approval and 62.5 hours of compensatory time that had been carried over for more than one month after being earned. This resulted in an overpayment of \$1,029.69 (76.5 hours * \$13.46).

At the September 6, 2006 Board Meeting, the Board passed a retroactive resolution approving the carryover of the compensatory time and vacation accrual.

The Library should implement controls to help assure compliance with their Employee Handbook and to help assure that any intended modifications are documented in an addendum to the handbook and appropriately reflected in the minutes.

OFFICIALS' RESPONSE

The Board feels that the original action taken for payment was correct and was discussed at the meeting even though no formal motion was made and approved.



**Auditor of State
Betty Montgomery**

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ST. MARYS COMMUNITY PUBLIC LIBRARY

AUGLAIZE 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**