

ASHLAND PUBLIC LIBRARY
ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Ashland Public Library
224 Claremont Ave.
Ashland, OH 44805

We have reviewed the *Report of Independent Accountants* of the Ashland Public Library, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 to December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 1, 2007

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Ashland Public Library, Ashland County
Audit Report
For the year ended December 31, 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Ashland Public Library
Ashland County
224 Claremount Avenue
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ashland Public Library, Ashland County, Ohio, (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Ashland Public Library, Ashland County as of December 31, 2005, and the respective changes in modified cash basis financial position and the budgetary comparison for the General Fund and Memorial Fund for the year then ended in conformity with the accounting basis Note 2 describes.

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

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, which consisted principally on inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2007 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 grants and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 18, 2007

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The management's discussion and analysis of the Ashland Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005 within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Library's financial performance.

Highlights

Key financial highlights for 2005 are as follows:

- Net assets of the Library increased \$560,529 or 27.7%, a significant change from the prior year. The fund affected the greatest was the Special Revenue - Memorial Fund which received donations in excess of \$631,000 from two estates.
- The Library's major source of income is the Local Library Government Support Fund (LLGSF) which represents \$1,255,457 or 90.9% of the total receipts within the General Fund. These funds were frozen at the level of 2004 receipts.
- Interest on Library investments increased \$26,941 or 68% due in part to the increase in rates available and also to the moving of monies to a more lucrative money market fund at a time when the lending institution was seeking funds.
- Plans have begun on a construction project that will provide an adequate housing for the Bookmobile and allow for better space usage for the departments within the current building.

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 modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the 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. The Library has chosen to provide separate columns for the General

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Fund, Special Revenue - Memorial Fund (previously Expendable Trust), Capital Projects Building Fund, and Capital Projects Bookmobile Fund. 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the Library at year end. The statement of activities compares cash disbursements with receipts for each governmental program selected for comparison. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to 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 modified 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 such as the reliance on non-local financial resources for operations and the need for continued growth in the revenue sources.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

In the statement of net assets and the statement of activities, the Library presents Governmental Activities.

Governmental Activities – All of the Library's basic services are reported here. Library and local government support finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the Library's major funds. The Library establishes separate funds to better manage its reporting and demonstrate that money is restricted as to how it may be used and is being spent for the intended purpose. The major funds of the Ashland Public Library are the General, Special Revenue - Memorial (replacing Expendable trust), Capital Projects Building and Capital Projects Bookmobile.

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 Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 on a modified cash basis. Since the Library did not prepare financial statements in this format for 2004, 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.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Net Assets

	<u>Governmental Activities 2005</u>
Assets	
Equity in Pooled and Cash Equivalents	\$ 748,164
Investments	<u>1,838,000</u>
<i>Total Assets</i>	\$ <u>2,586,164</u>
Net Assets	
Restricted For:	
Capital Projects	\$ 898,269
Other Purposes	1,233,366
Unrestricted	<u>454,529</u>
<i>Total Net Assets</i>	\$ <u>2,586,164</u>

As mentioned previously, net assets of governmental activities increased \$560,529 or 27.7% during 2005. The primary contributing factor was a memorial donation in access of \$631,000 given by two estates.

Table 2 reflects the changes in net assets in 2005. Since the Library did not prepare financial statements in this format for 2004, 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.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>
Receipts:	
Program Receipts:	
Charges for Services	\$ 50,278
Operating Grants and Contributions	<u>1,725</u>
Total Program Receipts	52,003
General Receipts:	
Income and Other Local Taxes	1,257,084
Grants and Entitlements Not Restricted	3,700
Unrestricted Gifts and Contributions	631,430
Interest	66,349
Miscellaneous	<u>4,934</u>
Total General Receipts	<u>1,963,497</u>
Total Receipts	\$ 2,015,500
Disbursements:	
Library Services:	
Public Service and Programs	
Adult	279,009
Young Adult/Teen	18,368
Juvenile	107,817
Circulation	229,827
Collection Development	
Adult	15,690
Young Adult/Teen	2,504
Juvenile	10,016
Processing	139,982
Support Services:	
Facilities Operation and Maintenance	70,701
Information Services	38,795
Administration and Support	167,053
Purchased & Contracted Services	110,381
Bookmobile	159,089
Capital Outlay	<u>105,739</u>
Total Disbursements	<u>1,454,971</u>
Increase (Decrease) in Net Assets	560,529
Net Assets, January 1, 2005	<u>2,025,635</u>
Net Assets, December 31, 2005	\$ <u>2,586,164</u>

Ashland Public Library, Ashland County
Management's Discussion and Analysis
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Unaudited

Program receipts represent only 2.4% of total receipts and are comprised of monies received from fines and fees.

Bookmobile program receipts represent only .12% of total receipts and are comprised of monies received by and for the Bookmobile service.

General receipts represent 97.4% of the Library's total receipts and of the amount 64.0% represents LLGSF funds from the State Income Taxes. 3.3% is represented from interest on investments. All other receipts are insignificant and somewhat unpredictable revenue sources.

Public service programs, collection development and processing, facilities operation and maintenance, and business administration represent the major costs of running the Library.

Capital Projects Funds (Building and Bookmobile) represent Board designated monies set aside for the purpose of funding expenditures, equipment, repairs, or purchases expected to enhance the building or land and any expense used for the purpose of maintaining the Bookmobile service.

The Special Revenue - Memorial Fund (previously Expendable Trust) is either designated by the memorial donor for a specific purpose or given for Library use in memory as undesignated.

Governmental Activities

If you look at the Statement of Activities on page 13, you will see the first column lists the services provided by the Library. The next column identifies the costs of providing this service. The major disbursements for Bookmobile service are payroll and benefits, materials and vehicle service. The receipts reflect fines and fees paid by patrons of the service and any donations or grants assigned specifically for the service. The "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 have been transferred. A comparison between the total cost of services and the net cost is presented in Table 3.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 3)
Governmental Activities

	<u>Total Cost Of Services 2005</u>	<u>Net Cost Of Services 2005</u>
Library Services:		
Public Service and Programs		
Adult	\$ (279,009)	\$ (277,859)
Young Adult/Teen	(18,368)	(18,343)
Juvenile	(107,817)	(107,267)
Circulation	(229,827)	(182,031)
Collection Development		
Adult	(15,690)	(15,690)
Young Adult/Teen	(2,504)	(2,504)
Juvenile	(10,016)	(10,016)
Processing	(139,982)	(139,982)
Support Services:		
Facilities Operation and Maintenance	(70,701)	(70,701)
Information Services	(38,795)	(38,795)
Administration and Support	(167,053)	(167,053)
Purchased & Contracted Services	(110,381)	(110,381)
Bookmobile	(159,089)	(156,607)
Capital Outlay	<u>(105,739)</u>	<u>(105,739)</u>
 <i>Total Government Activities</i>	 \$ <u>(1,454,971)</u>	 \$ <u>(1,402,968)</u>

The dependence upon LLGSF receipts is apparent as over 97.4% of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$2,015,500 and disbursements of \$1,454,971. The greatest change within governmental funds occurred within the Special Revenue - Memorial Fund (formerly Expendable trust). The Special Revenue - Memorial Fund increased \$635,065 as a result of memorial donations which cannot be expected or anticipated in future years.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
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Unaudited

General Fund receipts were more than disbursements by \$31,203 indicating the Library has been careful in its spending and ordering as the LLGSF freeze for revenue was anticipated and it was the decision of the Board to keep disbursements within the new money anticipated. The increase of investment income of \$26,941 also added to the additional revenue.

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, the Library amended its General Fund budget immediately after receiving the last LLGSF disbursement. The difference was attributed to the increase of 4.8% in interest income on investments.

Fund revenue amounts were appropriated and approved at the Board of Trustees year-end meeting on December 28, 2005. Although it is not expected these additional appropriations will be spent they are amended to bring the fund totals current for all receipts and appropriations.

Final disbursements were budgeted at \$1,724,123 while actual disbursements were \$1,657,235. For 2005 it was not necessary to reduce appropriations, but this may not be the case in future years.

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 state income taxes and are faced with the drain on these limited resources by more and more entities seeking funding avenues. We reviewed our spending and sources of revenue and realize the likelihood of any kind of increase in receipts is unlikely. We have found ourselves also wondering if we will be able to continue to operate a Library pending recommendations of our State Legislators for funding suggestions. All departments have been asked to reduce their spending and all have complied with this request. We also face the problem of limited physical space for continuing services. We have outgrown the current building and are reviewing several options for expanding our areas while continuing to stay within our current funds available.

Ashland Public Library, Ashland County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Contacting the Library's Financial Management

This financial report is designed to provide our patrons, taxpayers and public 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 Linda A. Flowers, Clerk-Treasurer, Ashland Public Library, 224 Claremont Avenue, Ashland, Ohio 44805.

Ashland Public Library, Ashland County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 748,164
Investments	<u>1,838,000</u>
<i>Total Assets</i>	<u><u>\$ 2,586,164</u></u>
Net Assets	
Restricted For:	
Capital Projects	\$ 898,269
Other Purposes	1,233,366
Unrestricted	<u>454,529</u>
<i>Total Net Assets</i>	<u><u>\$ 2,586,164</u></u>

See accompanying notes to the basic financial statements

Ashland Public Library, Ashland County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs				
Adult	\$ 279,009		\$ 1,150	\$ (277,859)
Young Adult/Teen	18,368		25	(18,343)
Juvenile	107,817		550	(107,267)
Circulation	229,827	\$ 47,796		(182,031)
Collection Development				
Adult	15,690			(15,690)
Young Adult/Teen	2,504			(2,504)
Juvenile	10,016			(10,016)
Processing	139,982			(139,982)
Support Services:				
Facilities Operation and Maintenance	70,701			(70,701)
Information Services	38,795			(38,795)
Administration and Support	167,053			(167,053)
Capital Outlay	105,739			(105,739)
Purchased & Contracted Services	110,381			(110,381)
Bookmobile	159,089	2,482		(156,607)
<i>Total Governmental Activities</i>	<u>\$ 1,454,971</u>	<u>\$ 50,278</u>	<u>\$ 1,725</u>	<u>(1,402,968)</u>
General Receipts				
				1,255,457
				1,627
				635,130
				66,349
				4,934
				<u>1,963,497</u>
				560,529
				<u>2,025,635</u>
				<u>\$ 2,586,164</u>

See accompanying notes to the basic financial statements

Ashland Public Library, Ashland County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Memorial Fund	Building Fund	Bookmobile Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 131,041	\$ 356,640	\$ 225,992	\$ 34,491	\$ 748,164
Investments	323,488	876,726	555,076	82,710	1,838,000
<i>Total Assets</i>	<u>\$ 454,529</u>	<u>\$ 1,233,366</u>	<u>\$ 781,068</u>	<u>\$ 117,201</u>	<u>\$ 2,586,164</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ 308,003		\$ 66,917	\$ 4,757	\$ 379,677
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	146,526				146,526
Special Revenue Fund		\$ 1,233,366			1,233,366
Capital Projects Funds			714,151	112,444	826,595
<i>Total Fund Balances</i>	<u>\$ 454,529</u>	<u>\$ 1,233,366</u>	<u>\$ 781,068</u>	<u>\$ 117,201</u>	<u>\$ 2,586,164</u>

See accompanying notes to the basic financial statements

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

	General	Memorial Fund	Building Fund	Bookmobile Funds	Total Governmental Funds
Receipts					
Other Local Taxes	\$ 1,627				\$ 1,627
Local Library Government Support	1,255,457				1,255,457
Patron Fines and Fees	50,278				50,278
Contributions, Gifts and Donations	1,790	\$ 635,065			636,855
Earnings on Investments	66,349				66,349
Miscellaneous	4,934				4,934
<i>Total Receipts</i>	<u>1,380,435</u>	<u>635,065</u>	<u>-</u>	<u>-</u>	<u>2,015,500</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs					
Adult	279,009				279,009
Young Adult/Teen	18,368				18,368
Juvenile	107,817				107,817
Circulation	229,827				229,827
Collection Development					
Adult	15,690				15,690
Young Adult/Teen	2,504				2,504
Juvenile	10,016				10,016
Processing	139,982				139,982
Support Services:					
Facilities Operation and Maintenance	70,701				70,701
Information Services	38,795				38,795
Administration and Support	167,053				167,053
Purchased & Contracted Services	110,381				110,381
Bookmobile	159,089				159,089
Capital Outlay			\$ 100,237	\$ 5,502	105,739
<i>Total Disbursements</i>	<u>1,349,232</u>	<u>-</u>	<u>100,237</u>	<u>5,502</u>	<u>1,454,971</u>
<i>Net Change in Fund Balances</i>	31,203	635,065	(100,237)	(5,502)	560,529
<i>Fund Balances Beginning of Year</i>	<u>423,326</u>	<u>598,301</u>	<u>881,305</u>	<u>122,703</u>	<u>2,025,635</u>
<i>Fund Balances End of Year</i>	<u>\$ 454,529</u>	<u>\$ 1,233,366</u>	<u>\$ 781,068</u>	<u>\$ 117,201</u>	<u>\$ 2,586,164</u>

See accompanying notes to the basic financial statements

Ashland Public Library, Ashland 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ -	\$ 1,627	\$ 1,627	\$ -
Local Library Government Support	1,247,197	1,255,457	1,255,457	-
Patron Fines and Fees	31,500	49,978	50,278	300
Contributions, Gifts and Donations	300	1,790	1,790	-
Earnings on Investments	20,000	60,590	66,349	5,759
Miscellaneous	1,800	5,070	4,934	(136)
<i>Total Receipts</i>	1,300,797	1,374,512	1,380,435	5,923
Disbursements				
Current:				
Library Services:				
Public Service and Programs				
Adult	373,858	373,858	372,590	1,268
Young Adult/Teen	23,035	23,035	21,826	1,209
Juvenile	130,156	130,156	129,042	1,114
Circulation	268,477	268,477	265,208	3,269
Collection Development				
Adult	18,835	18,835	17,192	1,643
Young Adult/Teen	3,964	3,964	2,744	1,220
Juvenile	12,385	12,385	11,975	410
Processing	164,795	164,795	163,162	1,633
Support Services:				
Facilities Operation and Maintenance	93,958	93,958	91,234	2,724
Information Services	48,527	48,527	46,411	2,116
Administration and Support	189,118	189,118	187,461	1,657
Purchased & Contracted Services	171,998	171,998	169,098	2,900
Bookmobile	205,517	205,517	174,451	31,066
Capital Outlay	19,500	19,500	4,841	14,659
<i>Total Disbursements</i>	1,724,123	1,724,123	1,657,235	66,888
<i>Net Change in Fund Balance</i>	(423,326)	(349,611)	(276,800)	72,811
<i>Fund Balance Beginning of Year</i>	131,043	131,043	131,043	-
Prior Year Encumbrances Appropriated	292,283	292,283	292,283	-
<i>Fund Balance End of Year</i>	\$ -	\$ 73,715	\$ 146,526	\$ 72,811

See accompanying notes to the basic financial statements

Ashland Public Library, Ashland County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Memorial Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Contributions, Gifts and Donations	\$ 300	\$ 634,765	\$ 635,065	\$ 300
<i>Total Receipts</i>	300	634,765	635,065	300
Disbursements				
Current:				
Library Services:				
Public Service and Programs				
Adult	500	500	-	500
Young Adult/Teen	2,500	2,500	-	2,500
Juvenile	2,500	2,500	-	2,500
Circulation	4,000	4,000	-	4,000
Collection Development				
Adult	1,000	1,000	-	1,000
Young Adult/Teen	1,000	1,000	-	1,000
Juvenile	1,000	1,000	-	1,000
Processing	10,000	10,000	-	10,000
Support Services:				
Facilities Operation and Maintenance	4,000	4,000	-	4,000
Information Services	12,000	12,000	-	12,000
Administration and Support	2,000	2,000	-	2,000
Purchased & Contracted Services	15,000	15,000	-	15,000
Bookmobile	3,000	3,000	-	3,000
Capital Outlay	540,101	540,101	-	540,101
<i>Total Disbursements</i>	598,601	598,601	-	598,601
<i>Net Change in Fund Balance</i>	(598,301)	36,164	635,065	72,811
<i>Fund Balance Beginning of Year</i>	598,301	598,301	598,301	-
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 634,465</u>	<u>\$ 1,233,366</u>	<u>\$ 72,811</u>

See accompanying notes to the basic financial statements

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 - Description of the Library and Reporting Entity

The Ashland Public Library was organized as a school district public library in 1893 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Ashland 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 roll 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 Ohio 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's resources. The Ashland Public Library has no component units.

The Friends of the Ashland Public Library 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 funds maintained by the organization are not significant in amount to the Library's total resources. Therefore, this organization has been excluded from the reporting entity of the Library.

The Library provides the community with numerous and varied educational and literary resources.

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

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Ashland Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Library has elected not to apply FASB Statements after November 30, 1989. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The 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.

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 the Library's activities selected for comparison by management. 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 programs service, 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 or activity is self-financing on a modified 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. These specific funds have been designated by management for review and tracking information.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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.

Governmental funds are financed primarily from taxes and other nonexchange transactions. Monies are assigned to the various funds according to the purposes for which they may or may not be used and according to law. The following are the Library's Management chosen 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 is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.
- Memorial Fund (formerly Expendable Trust) – The Memorial Fund is used to account for resources restricted by legally binding agreements. These funds are given in memory or determined to be used for a specific program. They can be designated for a specific purpose or line item purchase, or undesignated use to be determined by the Library within the general laws of Ohio.
- Capital Project Funds:

Building, Equipment and Repair Fund – The Building, Equipment and Repair Fund receives money from the General Fund to make land improvements, repair and maintain property, and purchase furniture and equipment. These funds are transferred and set aside by the Board of Library Trustees.

Bookmobile Fund – The Bookmobile Fund receives money from the General Fund for any purpose relating to the Bookmobile. These funds are transferred and set aside by the Board of Library Trustees as being available for any purpose involving the Bookmobile.

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain revenues (such as investment income not yet reported) and certain liabilities (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

D. Budgetary Process

All funds are legally required to be appropriated. The appropriation resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances. The legal level of control has been established at the fund and character or major category of the object code level for all funds set forth in the Annual Appropriation Resolution and certified by the Ashland County Auditor. The Ashland Public Library Board of Trustees has determined that within the General Fund transfers may be deemed appropriate at any level except at the Fund level, the 8000 – Contingency and 9000 – Interfund Transfers. Any activities within these objects must be approved by Board action.

Within the Memorial Fund, Building Fund and Bookmobile Fund it is determined that transfers or expenditures are deemed appropriate up to a maximum of \$25,000. Any activity from any Fund level herein described or object level in excess of the allowed amount requires approval from the Board.

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. These amended certificate amounts will be reported at the next board meeting and approved as to amount and corresponding line item increases or reductions. 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 appropriation 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 resolution for the fund that covered the entire year, including amounts automatically carried forward from prior years. Department Heads request budgets from pre-selected line items. These amounts are approved by the Director and incorporated into the total fund appropriations. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Trustees during the year. Any unexpended amount from previous year encumbrances are added back to the object and line item from which they were originally appropriated.

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 regardless of maturity are classified as investments and are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

During 2005 monies were limited to certificates of deposit, money market and Star Ohio. The Board approved Ashland Public Library Investment Policy dictates types of eligible investments and non-renewing monies are approved by Board action as to placement. Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library as outlined in each Deposit of Public Funds Agreement.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank.

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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$66,349.

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 has not restricted assets.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and 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 modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

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

Ashland Public Library, Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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 the Capital Project Fund and the Memorial Fund include resources restricted for library materials, supplies and equipment.

The Library's policy is to meet the obligations of restricted resources as quickly as possible and notification is sent to the regulator and, if applicable placed donors name on the material by means visible to the public.

L. Fund Balance Reserves

Reserved or designated fund balances indicate that a portion of the fund balance is not available for current appropriations or use. The unreserved or undesignated portions of fund balance reflected in the governmental funds are available for use within the specific purposes of funds. The Library reserved amounts representing encumbrances outstanding in the governmental funds.

The Library reserves a portion of fund balance under 8000 – Contingency. These reserves are available to appropriation into whatever line item is deemed necessary by action of the Board of Trustees. At the end of the year any amount remaining in Contingency reverts back to unreserved.

M. Interfund Transfers

Interfund Transfers from the General Fund to either of the Capital Projects Funds are reported as other financing sources/uses in governmental funds. Any such transactions are usually performed at the year-end Board meeting following a review of all receipts and disbursements for the year. There were no transfers in 2005.

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

Last year, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column.

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 Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Memorial 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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$308,003 for the General Fund and \$0 in the Memorial Fund.

Ashland Public Library, Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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 an 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).

Ashland Public Library, Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Library by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The exact amounts and circumstances are spelled out in the Deposit for Public Funds Agreement.

Investments may be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, the carrying amount of the Library's deposits was \$2,164,134, including certificates of deposits of \$714,538 and a money market of \$701,432. The bank balances were \$2,223,178. Of the bank balance \$300,000 was covered by FDIC and \$1,923,178 was covered by pooled collateral. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money has been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

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 the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$ 422,030	Less Than One Year

Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library does not have an investment policy beyond the requirements of state statute. Ohio Law addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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 requirement in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase 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 of 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."

Note 6 – Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. The Budget Commission for Ashland County is comprised of the Auditor, Treasurer and County Prosecutor. They distribute the total county allotment between the Ashland and Loudonville Library's. The current distribution is 65% to Ashland and 35% to Loudonville.

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

The LLGSF funds collected by the Library for the year ending December 31, 2005 amounted to \$1,255,457. Other taxes administered by the County on behalf of the Library amounted to \$1,627.

The Budget Commission holds an annual budget hearing at the Ashland County Court House office of the Auditor. During this hearing the Auditor confirms the LLGSF amount to be provided the Library during the next calendar year.

Note 7 – 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 the Library contracted with Spreng-Smith Company for various types of insurance coverage as follows:

Ashland Public Library, Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

<u>Type of Coverage</u>	<u>Coverage</u>
Building	\$ 3,900,000
General Liability	1,000,000
Commercial Crime	1,000
Employee Dishonesty	10,000
Inland Marine	2,217,792
Vehicle	500,000
Errors and Omissions	1,000,000
Directors & Officers	3,000,000
Employment Practices	3,000,000
Business Personal Property	500,000
Public Official Bond	1,000,000
Commercial Umbrella	2,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate determined by Claim Cost, Expected Loss Developments, Experience Rating and Premium Estimate. The Library participates in a group rating plan administered by the Frank Gates Service Company.

The Library provides full time employees health and life insurance coverage through a private carrier approved by the Board – Insurance Marketing. The Library also offers at employee expense a cafeteria plan approved for all employees - Guardian Life Insurance, Humana Dental, Vision Service Plan, and AFLAC supplemental cancer, intensive care, and long-term care insurance.

The Library's total contribution for health insurance for 2005 was \$221,449 and for life insurance amounted to \$1,193.

Note 8 – 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.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements For the Year Ended December 31, 2005

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, Ohio 43215 or by calling (614) 222-6705 or (800) 222-7277.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 were \$60,096, \$58,738, and \$69,831, respectively; the full amount has been contributed for 2005, 2004, and 2003.

Note 9 – Postemployment Benefits

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return of investments of 6.50 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 at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6.00 percent for the next 9 years. In subsequent year, (10 and beyond) health care costs were assumed to increase at 4.0 percent (the projected wage inflation rate).

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.

Ashland Public Library, Ashland County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

The number of active contributing participants in the traditional and combined plans was 358,804. Actual employer contributions for 2005, 2004, and 2003 which were used to fund postemployment benefits were \$25,183, \$24,614, and \$29,262, respectively. The actual contributions and the actuarially required contributions amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Pension Plan (HCPP) with an effective date of January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates will increase as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 – Ohio Public Employees Deferred Compensation Plan

The Library participates with the Ohio Public Employees Deferred Compensation Board, an entity created by Ohio Revised Code Section 145.72 (the "Board"). The Ohio Public Employees Deferred Compensation program administers all facets of the program, consistent with the Enabling Statutes and all the Rules and Regulations promulgated by the Board, whether by Ohio Administrative Code or otherwise. The Library gives the program facilitators permission to approach employees and negotiate with them as within the restriction of the program. Statements and correspondence are all handled directly between the program staff and Library employees. Specific amounts to be withheld are sent to the Clerk-Treasurer for deduction from the pay of an employee and that amount is forwarded each pay to the Ohio Public Employees Deferred Compensation program with the accompanying invoice for payment.

Note 11 – Leases

The Library leases equipment, a garage, and parking space under annual or month to month leases. The Library disbursed \$13,769 to pay lease costs for the year ended December 31, 2005.

• MT Business Technologies - copier	\$ 6,848	month to month
• Wappner Real Estate Partnership – parking spaces	3,000	month to month
• Neopost – postage meter	621	yearly
• MDJ Enterprise - garage for Bookmobile	<u>3,300</u>	month to month
Total	\$ <u>13,769</u>	

Note 12 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Ashland Public Library, Ashland County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 13 – Restatement of Prior Year Fund Balances/Net Assets

As of January 1, 2005, the Expendable Trust Fund (Memorial Fund) was moved to a Special Revenue Fund.

All Fund balances at December 31, 2004 were combined on the government-wide financial statements to equal net assets of \$2,025,635.

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

Ashland Public Library
Ashland County
224 Claremount Avenue
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the financial statements of the Ashland Public Library, Ashland County Ohio (Library) as of and for the year ended December 31, 2005 and have issued our report thereon dated June 18, 2007, wherein we noted the Library followed the cash basis of accounting and they revised its financial statement presentation in accordance with GASB 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

June 18, 2007

Status of Prior Audit's Citations and Recommendations

The prior audit report, as of December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

ASHLAND PUBLIC LIBRARY

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2007**