



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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HUBBARD PUBLIC LIBRARY
TRUMBULL COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Hubbard Public Library
Trumbull County
436 West Liberty Street
Hubbard, Ohio 44425

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standard*. 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 that our audit provides a reasonable basis for our opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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

October 30, 2006

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

This discussion and analysis of the Hubbard Public Library's 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 cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities indicate an insignificant change from the prior year. The fund most affected by the unchanged cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005 without revenue increase; however, cost increases affected all funds.

The Library's general receipts are primarily generated revenue from the State of Ohio income tax. (LLGSF) These receipts represent almost 100 percent of the total cash received for governmental activities during the year. LLGSF revenue generated from income tax receipts for 2005 changed very little compared to 2004. LLGSF funding has been "frozen" at the state budget level.

The Library has two major funds: the General Fund and the Building Fund. The General Fund received \$929,797 in revenue and disbursed \$917,496 in expenditures.

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.

Hubbard Public Library
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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, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments 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 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 as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as local government support fund.

In the statement of net assets and the statement of activities, Library activities are comprised of governmental activities only.

Governmental activities - All of the Library's basic services are reported here. LLGSF: State of Ohio income tax revenue and charges for services 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

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

Governmental Funds - Most 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 and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

The Library as a Whole

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

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$504,299	\$494,346
Total Assets	\$504,299	\$494,346
Net Assets		
Restricted for:		
Special Revenue	\$20,558	\$20,349
Capital Projects	417,557	420,140
Permanent Fund	1,178	1,152
Unrestricted	65,006	52,705
Total Net Assets	\$504,299	\$494,346

- As previously mentioned, net assets of governmental activities anticipated slow growth in LLGSF tax receipts. Over the last several years state income tax revenue typically has remained the same, with little or no LLGSF funding increase.
- The Building and Repair Fund assets were withdrawn from StarOhio and invested with National City Bank to generate increased interest revenue for the General Fund. Interest generated by the Library's Technology Fund remains reinvested in that fund to further it's growth.

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

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$19,648	\$19,113
Operating Grants and Contributions	3,608	18,785
Capital Grants and Contributions	0	3,897
Total Program Receipts	<u>23,256</u>	<u>41,795</u>
General Receipts:		
LLGSF	893,479	888,596
Gifts/Contributions Unrestricted	0	20,000
Interest	13,809	5,550
Miscellaneous	3,311	4,216
Total General Receipts	<u>910,599</u>	<u>918,362</u>
Total Receipts	<u>933,855</u>	<u>960,157</u>
Disbursements:		
Library Services:		
Public Service and Programs	8,594	9,224
Collection Development and Processing	27,638	23,892
Support Services:		
Facilities Operation and Maintenance	87,352	89,901
Information Services	149,030	156,358
Business Administration	634,202	621,921
Capital Outlay	17,086	35,880
Total Disbursements	<u>923,902</u>	<u>937,176</u>
Excess (Deficiency) Before Transfers	9,953	22,981
Increase (Decrease) in Net Assets	9,953	22,981
Net Assets, January 1	494,346	471,365
Net Assets, December 31	<u>\$504,299</u>	<u>\$494,346</u>

General receipts represent 98 percent of the Library's total receipts, and of this amount, 98 percent is from the local government support fund. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Salary and Benefits represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of internal services such as payroll and purchasing. These costs do not represent direct services to residents.

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

Governmental Activities

If you look at the Statement of Activities on page 10, 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. Major program disbursements for governmental activities are for salaries and benefits and library information. In Table 3 below, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Library Services:				
Public Service and Programs	8,594	9,224	(11,054)	(9,889)
Collection, Development, and Processing	27,638	23,892	27,638	23,892
Support Services:				
Facilities Operation and Maintenance	87,352	89,901	87,352	89,901
Information Services	149,030	156,358	145,422	152,803
Business Administration	634,202	621,921	634,202	621,921
Capital Outlay	17,086	35,880	17,086	16,753
Total Expenses	<u>\$923,902</u>	<u>\$937,176</u>	<u>900,646</u>	<u>\$895,381</u>

The dependence upon the local government support fund is apparent as over 96 percent of governmental activities are supported through these general receipts. Interest from investments help generate additional revenue, although very unpredictable.

The Library's Funds

In the year 2005, total governmental funds had receipts of \$933,855 and disbursements of \$923,902. The greatest change within governmental funds occurred within the Technology Fund. The fund balance of the General Fund as the result of increased costs for salaries and benefits, inflated daily operating costs and not achieving growth in income tax receipts (LLGSF) was unable to make a transfer to supplement the operations of other fund activity.

General Fund receipts were more than disbursements by \$12,301 indicating that the General Fund is not in a deficit spending situation. Despite the pending funding freeze at the state level the Library management has been cautious in spending and scrutinizing expenditures, in some cases reductions are needed as in personnel, materials and service. Some of these reductions have already been implemented for 2006 including cuts in service, maintenance and reductions in personnel and salary increases. These cuts will not eliminate the need for additional funds (or additional cuts) in the future should income taxes remain frozen or eliminated. In the case of local government support fund elimination, another source of funding would seriously have to be sought.

The Building and Repair Fund and the Technology Fund received no transfers from the General Fund. Additional revenue into these funds would continue to help support new technology updates, wireless access, and future server consortium. However, in 2005 the General Fund could not support these transactions.

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

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based 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 several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final General Fund disbursements were budgeted at \$973,817 while actual disbursements were \$943,077. The Library kept spending very close to budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Government does currently keep track of its capital assets and infrastructure. The Government has acquired a software package to accomplish this task and processes the necessary information. It is updated as necessary. A complete inventory of Library material and capital assets is readily available.

Debt

Hubbard Public Library has no outstanding debt.

Current Issues

The challenge for Hubbard Public Library 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 which accounts for nearly 100% of the Library's revenue. Financial forecasts predict a deficit and or continuing funding freeze for 2006; therefore, the Library Board of Trustees and the Library administration are monitoring state level funding very closely. We reviewed our sources of revenue and determined that increases were unlikely. Alternative funding has been discussed. We then reviewed the disbursement history of the Library. We have reduced operating and maintenance costs, and have also reduced staffing levels in areas where we felt it would have the least impact on services. All departments have been asked to reduce their spending for supplies. The Library budget has been reduced in all areas by at least 10-20 percent. Further reductions may be necessary because funding in the foreseeable future is unpredictable.

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 Deborah L. Carsone, Clerk-Treasurer, Hubbard Public Library, 436 West Liberty Street, Hubbard, Ohio 44425.

Hubbard Public Library, Trumbull County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$504,299</u>
<i>Total Assets</i>	<u><u>\$504,299</u></u>
Net Assets	
Restricted for:	
Special Revenue	\$20,558
Debt Service	417,557
Permanent	1,178
Unrestricted	<u>65,006</u>
<i>Total Net Assets</i>	<u><u>\$504,299</u></u>

See accompanying notes to the basic financial statements

Hubbard Public Library, Trumbull 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 for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$8,594	\$19,648		\$11,054
Collection Development and Processing	27,638			(27,638)
Support Services:				
Facilities Operation and Maintenance	87,352			(87,352)
Information Services	149,030		\$3,608	(145,422)
Business Administration	634,202			(634,202)
Capital Outlay	17,086			(17,086)
Total Governmental Activities	\$923,902	\$19,648	\$3,608	(900,646)
		General Receipts		
				893,479
				13,809
				3,311
				910,599
				Change in Net Assets 9,953
				<i>Net Assets Beginning of Year 2005</i> 494,346
				<i>Net Assets End of Year 2005</i> \$504,299

See accompanying notes to the basic financial statements

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

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$65,006	\$392,193	\$47,100	\$504,299
<i>Total Assets</i>	<u>\$65,006</u>	<u>\$392,193</u>	<u>\$47,100</u>	<u>\$504,299</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	25,581	174		25,755
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	39,425			39,425
Special Revenue Funds			20,558	20,558
Capital Projects Funds		392,019	25,364	417,383
Permanent Fund			1,178	1,178
<i>Total Fund Balances</i>	<u>\$65,006</u>	<u>\$392,193</u>	<u>\$47,100</u>	<u>\$504,299</u>

See accompanying notes to the basic financial statements

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

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Local Government Support Fund	\$893,479			\$893,479
Patron Fines and Fees	19,648			19,648
Contributions, Gifts and Donations	3,608			3,608
Earnings on Investments	9,751	\$2,975	\$1,083	13,809
Miscellaneous	3,311			3,311
<i>Total Receipts</i>	<u>929,797</u>	<u>2,975</u>	<u>1,083</u>	<u>933,855</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	8,594			8,594
Collection Development and Processing	27,638			27,638
Support Services:				
Facilities Operation and Maintenance	87,352			87,352
Information Services	149,030			149,030
Business Administration	634,202			634,202
Capital Outlay	10,680		6,406	17,086
<i>Total Disbursements</i>	<u>917,496</u>	<u>0</u>	<u>6,406</u>	<u>923,902</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,301</u>	<u>2,975</u>	<u>(5,323)</u>	<u>9,953</u>
<i>Net Change in Fund Balances</i>	12,301	2,975	(5,323)	9,953
<i>Fund Balances Beginning of Year 2005</i>	<u>52,705</u>	<u>389,218</u>	<u>52,423</u>	<u>494,346</u>
<i>Fund Balances End of Year 2005</i>	<u>\$65,006</u>	<u>\$392,193</u>	<u>\$47,100</u>	<u>\$504,299</u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Local Government Support Fund	\$926,089	\$893,479	\$893,479	\$0
Patron Fines and Fees	15,000	19,366	19,648	282
Contributions, Gifts and Donations	1,000	3,588	3,608	20
Earnings on Investments	500	9,500	9,751	251
Miscellaneous	0	3,311	3,311	0
<i>Total receipts</i>	<u>942,589</u>	<u>929,244</u>	<u>929,797</u>	<u>553</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	7,700	7,783	8,594	(811)
Collection Development and Processing	19,900	26,500	27,638	(1,138)
Support Services:				
Facilities Operation and Maintenance	102,583	114,485	95,879	18,606
Information Services	157,620	169,531	157,557	11,974
Business Administration	632,208	652,179	642,729	9,450
Capital Outlay	7,578	3,339	10,680	(7,341)
<i>Total Disbursements</i>	<u>927,589</u>	<u>973,817</u>	<u>943,077</u>	<u>30,740</u>
<i>Net Change in Fund Balance</i>	<u>15,000</u>	<u>(44,573)</u>	<u>(13,280)</u>	<u>31,293</u>
<i>Fund Balance Beginning of Year 2005</i>	10,331	10,331	10,331	0
Prior Year Encumbrances Appropriated	42,374	42,374	42,374	0
<i>Fund Balance End of Year 2005</i>	<u>\$67,705</u>	<u>\$8,132</u>	<u>\$39,425</u>	<u>\$31,293</u>

See accompanying notes to the basic financial statements

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Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 1 – Description of the Library and Reporting Entity

The Hubbard Public Library was organized as a school district public library in 1947 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Hubbard Exempted Village School District 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 Hubbard Exempted Village School District 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 Hubbard Exempted Village 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 Friends of the Hubbard 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. 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.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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 Library. Governmental activities generally are financed through intergovernmental receipts and other non-exchange transactions.

The statement of net assets presents the cash balances 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. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds 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.

Governmental Funds

Governmental funds are financed primarily from the local government support fund, intergovernmental receipts (e.g. grants), and other nonexchange 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.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose. The Library received a bequest and has a Special Revenue Fund (Malin/Camp Gift Fund) for this purpose.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

The Library has classified the Dr. Schneider Memorial Fund as a Permanent Fund. Such fund is permitted to expend only the accrued interest to support the program.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library General Fund is deposited into one bank. 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.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

During 2005, investments were limited to a money market fund, STAR Ohio, and nonnegotiable certificates of deposit. The certificates of deposit are recorded at cost. The Library's money market savings is recorded at amounts reported by the financial institution at December 31, 2005.

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 revenue credited to the general fund during 2005 amounted to \$9,751 which includes \$4,700 assigned from other Library funds. Per resolution of the Library Board of Trustees, interest earned on monies in the Building and Repair Fund and Technology Fund were receipted to these funds in the amounts of \$2,975 and \$848 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, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library did not have any restricted assets at December 31, 2005.

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 separation of employment or retirement, employees who have been employed by the Library for more than one (1) year are entitled to cash payments for unused leave. Therefore, unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

All full time and part time employees who work 20 hours a week or more earn vacation by a monthly rate affected by length of service. Vacation allowance may not be carried forward from one year to the next. Unused accrued vacation is paid to the employee upon departure from employment.

Sick leave is accrued by full time employees at the rate of 10 hours per month. Eligible full time employees qualify for this benefit after completing the first month of employment. Total accrued sick leave may not exceed 960 hours. Unused accrued sick leave benefits are not paid upon departure of employment.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to OPERS, a state operated cost-sharing multiple public employer retirement system 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.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (continued)

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 special revenue include donations of money from patrons to be used for books in honor or memory of individuals of their choice. Restricted permanent net assets are used to purchase books for Dr. Schneider's memorial section of the Library.

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.

Note 3 - Change in Accounting Principles

For the year ended December 31, 2005, the Library has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Library.

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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$25,581 for the general fund.

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.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (Continued)

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

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

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$85 in un-deposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$415,306 of the Library's bank balance of \$535,515 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$ 25,364	Average

Interest Rate Risk: Interest rate risk arises because the fair value of investment changes as interest rates change. The Library has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Credit 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 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.

Concentration of Credit Risk: The Library places no limit on the amount that may be invested in any one issuer. At December 31, 2005, 100 percent of the Library's investments were in STAR Ohio.

Note 6 – Grants-In-Aid and Property Taxes

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF 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.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 7 – Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive Property and Commercial Liability
- Errors and Omissions Liability

The Library also provides health, dental, vision, and life insurance to all eligible employees. Coverage varies according to full- or part-time status and family or single plan.

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.

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

For the 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 is a "pick up" plan entity for full time employee members. During 2005, the Library contributed the entire 22.05% of the required annual covered salary for these employees. Part-time employees contributed 8.5% of covered salaries and the Library contributed the required 13.55% of their annual covered salaries.

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 \$94,675, \$92,615, \$111,762 respectively; the full amount has been contributed for 2005, 2004, and 2003. No contributions to the member-directed plan were made.

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.

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 9 - 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.

As of December 31, 2005, the number of active contributing participants in the traditional and combined plans was 376,109. The number of active participants for both plans used in the December 31, 2005 actuarial valuation was 355,287.

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.

Note 10 – Debt

The Hubbard Exempted Local School District serves as the taxing authority and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 1999 the Library Board approved for the School District to place on the ballot, Library Construction Bonds in the amount of \$1,400,000 for the construction and renovation of the current Library. As of June 30, 2005, (the latest information available) principal outstanding was \$925,000.

The following is a summary of the future annual debt service requirements to maturity for the bonds:

Fiscal Year Ending	Principal	Interest	Total
2006	\$ 135,000	\$ 44,921	\$ 179,921
2007	145,000	38,745	\$ 183,745
2008	150,000	30,780	\$ 180,780
2009	155,000	22,545	\$ 177,545
2010	165,000	14,235	\$ 179,235
2011	<u>175,000</u>	<u>9,120</u>	\$ 184,120
Total	<u>\$ 925,000</u>	<u>\$ 160,346</u>	<u>\$ 1,085,346</u>

Hubbard Public Library, Trumbull County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

Note 11 – Subsequent Events

Hubbard Public Library depends solely on LLGSF funding. During the year 2005 state funding had been frozen due to State of Ohio funding budget cuts. Along with the budget freeze, Trumbull County Libraries reformulated the amount of LLGSF dollars each Library is entitled. Hubbard Public Library's share of the LLGSF during 2004 was 10.3%. The Library's share for year 2005 was 9.8% of the total LLGSF for Trumbull County , Ohio.

Library funding will also be affected by demographics. LLGSF is dependent on Ohio State Income Tax, in regard to area factory closings, (Howelle Industries, Delphi, GM Lordstown) companies downsizing and employee lay-offs, unfortunately unemployment rates in the state will undoubtedly increase and affect the Library's funding. Subsequently, economics demographically have not changed in the year 2005, also predictions do not indicate noteworthy changes for 2006.



**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***

Hubbard Public Library
Trumbull County
436 West Liberty Street
Hubbard, Ohio 44425

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 Hubbard Public Library, Trumbull County, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 30, 2006 wherein we 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 Township 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance

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

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

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

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

Betty Montgomery
Auditor of State

October 30, 2006



**Auditor of State
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

HUBBARD PUBLIC LIBRARY

TRUMBULL 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
JANUARY 16, 2007**