



Mary Taylor, CPA
Auditor of State

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Baltimore Public Library
Wood County
230 North Main Street
North Baltimore, Ohio 45872-1132

To the Library Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Public Library, Wood County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Baltimore Public Library, Wood County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 13, 2007

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the North Baltimore Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, within the limitations of the Library's modified 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 2006 are as follows:

- Net assets of the library decreased \$14,134, or 5 percent, from the prior year.
- The Library's general receipts are primarily from the Ohio Library and Local Government Support Fund (LLGSF). These receipts represent \$401,681, or 97 percent of the total cash received for the library's governmental activities during the year. The Library received 2% less from the LLGSF in 2006 than in 2005. The remaining receipts are mostly from fines, contributions, rental of the community room, and interest from investments.

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, 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. Starting in 2005, 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 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 modified cash basis of accounting.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of modified 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 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 activity 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 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 local revenue sources such as property taxes.

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

Governmental activities: All of the Library's basic services are reported here. The state finances most of these activities through LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

The Library has no business-type activities where a fee is charged to customers receiving the service.

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 is being spent for the intended purpose. The Library only has governmental funds.

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

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for December 31, 2006 compared to December 31, 2005.

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash	\$209,451	\$222,926
Investments	79,243	79,902
Total Assets	288,694	302,828
 Net Assets		
Restricted for:		
Capital Projects	\$91,603	\$103,985
Permanent Fund:		
Expendable	134	
NonExpendable	5,905	405
Other Purposes	258	258
Unrestricted	190,794	198,180
Total Net Assets	\$288,694	\$302,828

As mentioned previously, net assets of governmental activities decreased \$14,134 or 5 percent during 2006. The primary reasons contributing to the decrease in cash balances is as follows:

The current formula agreed upon by the eight Wood County libraries and used by the Wood County Budget Commission in the distribution of the LLGSF resulted in a 2% decrease from 2005 to 2006 of North Baltimore's share of the LLGSF.

Capital Projects Fund was used to buy new computers, barcode scanners, and to repair the porch at 229 N. Main St.

New flooring was purchased for the Wolfe Community Room with funds from the Bower Estate Special Revenue Fund.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2006 compared to 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services	\$13,260	\$11,358
Contributions	5,500	405
Total Program Receipts	18,760	11,763
General Receipts:		
Local Library & Government Support Fund	401,681	409,029
Unrestricted Gifts & Contributions	3,203	3,800
Sale of Capital Asset	641	493
Investment Earnings	16,243	11,321
Miscellaneous	127	6,775
Total General Receipts	421,895	431,418
Total Receipts	440,655	443,181
Disbursements:		
Library Services	440,771	444,752
Capital Outlay	14,018	4,259
Total Disbursements	454,789	449,011
(Decrease) in Net Assets	(14,134)	(5,830)
Net Assets, January 1	302,828	308,658
Net Assets, December 31	\$ 288,694	\$302,828

Program receipts represent less than 3% percent of total receipts and are primarily comprised of monies collected for fines, fees for copier use, and fees for community room use.

General receipts represent over 97% percent of the Government's total receipts, and of this amount, over 94% percent are from LLGSF. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library. These include the costs of salaries and benefits, materials, programming, building and equipment maintenance, and utilities. Capital Outlay includes cost of new equipment and remodeling and building projects.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities below, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for library services. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government:				
Library Services	\$440,771	\$422,011	\$444,752	\$432,989
Capital Outlay	14,018	14,018	4,259	4,259
Total Expenses	\$454,789	\$436,029	\$449,011	\$437,248

The dependence upon LLGSF receipts is apparent as approximately 94 percent of governmental activities are supported through these general receipts.

The North Baltimore Public Library's Funds

Total governmental funds had receipts and other financing sources of \$440,655 and disbursements of \$454,789. The fund balance of the General Fund decreased \$7,386 or about the same as the decrease in LLGSF funding of \$7,348. The Capital Projects Bower Trust Fund was decreased \$6,358 with the purchase of new flooring for the Wolfe Community Room.

General Fund receipts were less than disbursements by \$7,386 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the salary committee that raises for 2007 be kept to 1% since most employees would be getting a ½% increase through the increase in the employee's share of OPERS which is paid by the Board as a fringe benefit.

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.

Final disbursements and other financing uses were budgeted at \$513,018 while actual disbursements were \$449,994. Appropriations were not reduced but the Director of the Library attempted to keep spending below budgeted amounts.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Debt Administration

Debt

At December 31, 2006, the Library has no outstanding debt.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by shrinking, funding. We rely heavily on the local library and government support fund. Estimates for our share of the Wood County library distribution show a minor decrease for 2007; therefore, the Director is decreasing all spending to delay the deficit.

Contacting the Government'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 Ann Glamm, Clerk-Treasurer, North Baltimore Public Library, 230 N. Main St., North Baltimore, Ohio 45872-1132.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

*Statement of Net Assets - Modified Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$209,451
Investments	<u>79,243</u>
<i>Total Assets</i>	<u><u>\$288,694</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$91,603
Permanent Fund	
Expendable	134
Nonexpendable	5,905
Other Purposes	258
Unrestricted	<u>190,794</u>
<i>Total Net Assets</i>	<u><u>\$288,694</u></u>

See accompanying notes to the basic financial statements

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Contributions	Governmental Activities	
Governmental Activities				
Library Services	\$440,771	\$13,260	\$5,500	(\$422,011)
Capital Outlay	14,018			(14,018)
<i>Total Governmental Activities</i>	<u>\$454,789</u>	<u>\$13,260</u>	<u>\$5,500</u>	<u>(436,029)</u>
General Receipts				
Unrestricted Gifts and Contributions				3,203
Grants and Entitlements not Restricted to Specific Programs				401,681
Sale of Capital Assets				641
Interest				16,243
Miscellaneous				127
<i>Total General Receipts</i>				421,895
Change in Net Assets				(14,134)
<i>Net Assets Beginning of Year</i>				302,828
<i>Net Assets End of Year</i>				<u>\$288,694</u>

See accompanying notes to the basic financial statements

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	<u>General</u>	<u>Capital Projects Bower Estate</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$190,794	\$38	\$18,619	\$209,451
Investments		79,243		79,243
<i>Total Assets</i>	<u>\$190,794</u>	<u>\$79,281</u>	<u>\$18,619</u>	<u>\$288,694</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$8,201			\$8,201
Unreserved:				
Undesignated , Reported in:				
General Fund	182,593			182,593
Special Revenue Funds			\$258	258
Capital Projects Funds		\$79,281	12,322	91,603
Permanent Funds			6,039	6,039
<i>Total Fund Balances</i>	<u>\$190,794</u>	<u>\$79,281</u>	<u>\$18,619</u>	<u>\$288,694</u>

See accompanying notes to the basic financial statements

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Capital Projects Bower Estate Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$401,681			\$401,681
Patron Fines and Fees	10,565			10,565
Contributions, Gifts and Donations	3,203		\$5,500	8,703
Earnings on Investments	15,495	\$614	134	16,243
Miscellaneous	2,822			2,822
<i>Total Receipts</i>	<u>433,766</u>	<u>614</u>	<u>5,634</u>	<u>440,014</u>
Disbursements				
Current:				
Library Services	440,771			440,771
Capital Outlay	1,022	6,972	6,024	14,018
<i>Total Disbursements</i>	<u>441,793</u>	<u>6,972</u>	<u>6,024</u>	<u>454,789</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(8,027)</u>	<u>(6,358)</u>	<u>(390)</u>	<u>(14,775)</u>
Other Financing Sources				
Sale of Capital Assets	641			641
<i>Net Change in Fund Balances</i>	(7,386)	(6,358)	(390)	(14,134)
<i>Fund Balances Beginning of Year</i>	<u>198,180</u>	<u>85,639</u>	<u>19,009</u>	<u>302,828</u>
<i>Fund Balances End of Year</i>	<u>\$190,794</u>	<u>\$79,281</u>	<u>\$18,619</u>	<u>\$288,694</u>

See accompanying notes to the basic financial statements

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$399,490	\$399,490	\$401,681	\$2,191
Patron Fines and Fees	9,000	9,000	10,565	1,565
Contributions, Gifts and Donations	5,500	5,500	3,203	(2,297)
Earnings on Investments	9,000	9,000	15,495	6,495
Miscellaneous	2,000	2,000	2,822	822
<i>Total receipts</i>	<u>424,990</u>	<u>424,990</u>	<u>433,766</u>	<u>8,776</u>
Disbursements				
Current:				
Library Services	496,518	496,518	446,994	49,524
Capital Outlay	6,500	6,500	3,000	3,500
<i>Total Disbursements</i>	<u>503,018</u>	<u>503,018</u>	<u>449,994</u>	<u>53,024</u>
<i>Receipts (Under) Disbursements</i>	(78,028)	(78,028)	(16,228)	61,800
Other Financing Sources (Uses)				
Sale of Capital Assets	500	500	641	141
Other Financing Uses	(10,000)	(10,000)		10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(9,500)</u>	<u>(9,500)</u>	<u>641</u>	<u>10,141</u>
<i>Net Change in Fund Balance</i>	(87,528)	(87,528)	(15,587)	71,941
<i>Fund Balance Beginning of Year</i>	193,612	193,612	193,612	
Prior Year Encumbrances Appropriated	4,568	4,568	4,568	
<i>Fund Balance End of Year</i>	<u>\$110,652</u>	<u>\$110,652</u>	<u>\$182,593</u>	<u>\$71,941</u>

See accompanying notes to the basic financial statements

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

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

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

The Library'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, the financial statements of the North Baltimore 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 most significant of the Library's accounting policies are described below.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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 taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from Library and Local Government Support funds, 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.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Capital Projects Bower Estate Fund - The Bower Estate fund accounts for receipt of gift stock in fiscal year 2000. Proceeds from sale of the stock are restricted for a major building project or alterations to the present building. Income from the fund can be used as the Board sees fit.

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

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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 modified 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 cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

E. Cash and 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."

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

During 2006, investments were held in STAR Ohio and Sky Financial Stock. Except for the savings and STAR Ohio, these investments are recorded at cost.

The investment of Sky Financial Stock which was received in 2000 is a restricted gift from the Mary Bower Estate. The Sky Financial Stock is recorded at the value of the date it was received which was \$13.182/share on March 7, 2000. When stock is sold, the difference in value is recorded as a gain or loss on sale of investment. Dividends are not restricted and are credited to the general fund.

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 Rule2a7 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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Earnings on Investments credited to the general fund during 2006 amounted to \$15,495 which included dividend receipts of \$5,500 generated by the Sky Financial Stock in the Capital Projects Bower Estate Fund were credited to the general fund. Interest receipt credited to the Wolfe Family Endowment amounted to \$134.

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 restricted assets, the Bower Estate Fund, the Piano Fund and the Wolfe Family Endowment Fund.

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.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

K. Long-Term Obligations

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

L. 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.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. 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.

The Wolfe Family Endowment is a permanent fund that can not be appropriated. Any receipts generated by the endowment are to be used for programming.

NOTE 3 – 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 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 \$8,201 for the general fund.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

The carrying amount of cash and investments at December 31, 2006 was as follows:

Demand Deposits	\$1,758
Certificates of Deposits	93,910
Premier Savings	629
Total Deposits	<u>96,297</u>
STAR Ohio	113,154
Sky Financial Stock	79,243
Total Investments	<u>192,397</u>
Total Deposits and Investments	<u><u>\$288,694</u></u>

At year end, the Library had \$110 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

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

Investments

STAR Ohio carries a rating of AAA 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.

The Library's stock holding original value was \$79,243 and the value at December 31, 2006, was \$171,497. The Library has no investment policy for custodial risk beyond the requirements of State statute.

NOTE 5-GRANTS-IN-AID

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.

In 2006, the Wood County Budget Commission allocated these funds to the Library based on a formula adopted by the eight libraries in Wood County. A portion of the formula (25%) is based on need (population and legal service area), capacity (staff and building size and materials expenditure), and performance (circulation). A floor of 98% of the previous year's funding was included to prevent precipitous drops in funding of individual libraries (98% guarantee).

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6- RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Motorist Mutual Insurance Company	Commercial	\$ 2,199,520
	Property	
	General Liability	1,000,000
	Commercial Crime	2,199,520
France & Associates	Errors and Omissions	1,000,000
CNA/Western Surety	Library Officials	25,000
	Fidelity and Deposit	25,000

There have been no claims made in 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 per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library also provides health, dental, and life insurances to full time employees through private carriers.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

OPERS provides retirement, disability, and 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.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library pays the employee share of OPERS as a fringe benefit for employees hired prior to September 26, 2005. The employee share of OPERS for employees hired after that date will be paid as a salary reduction. The Library's contribution rate for the employer's share of the pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions of employee and employer shares for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$53,807, \$55,696, and \$52,540 respectively; the full amount has been contributed for 2006, 2005, and 2004.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 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, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans in 2005 was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$119,691. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2004 (the latest information available) were \$29.5 billion and \$18.7 billion, respectively.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contributions rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 9 – DEBT

The North Baltimore Local School District serves as the taxing authority in a ministerial function, 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.

The Library has no outstanding debt at this time.

NOTE 10 – LEASES

The Library leases a copier under a non-cancelable lease. The Library disbursed \$3,986 to pay lease costs for the year ended December 31, 2006. Future lease payments are as follows:

Year	Amount
2007	\$3,780
2008	630
	<hr/>
	\$4,410
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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Baltimore Public Library
Wood County
230 North Main Street
North Baltimore, Ohio 45872-1132

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 North Baltimore Public Library, Wood County (the Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 13, 2007, wherein, we noted the Library prepares its statements on the modified cash basis of accounting. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined 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 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 its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 13, 2007



Mary Taylor, CPA
Auditor of State

NORTH BALTIMORE PUBLIC LIBRARY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 12, 2007**