



**JACKSON CITY LIBRARY
JACKSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 - 2004



**Auditor of State
Betty Montgomery**

**JACKSON CITY LIBRARY
JACKSON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson City Library
Jackson County
21 Broadway Street
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jackson City Library, Jackson County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The Library's financial transactions were processed using 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 conduct the audit of 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 Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 basis financial position of the governmental activities and each major fund of the Jackson City Library, Jackson County, Ohio, as of December 31, 2005 and 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

March 28, 2006

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Jackson City Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005 and 2004, within the limitations of the Library's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

In 2005 net assets of governmental activities decreased \$42,006 or 6.6 percent, a significant change from the prior year. In 2004 net assets had only a slight decrease of \$6,129. The fund affected by the decrease in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts. These receipts represent respectively 91.7 and 92.5 percent of the total cash received for governmental activities during the years 2005 and 2004. LLGSF receipts have been frozen and these receipts for 2005 changed very little compared to 2004.

Significant expense occurred for the purchase of a new software circulation in 2005 totaling \$39,491.

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. 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.

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2004, within the limitations of 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. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as 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.

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

Governmental activities. All of the Library's basic services are reported here, including library services, support services, and capital outlay. The Library and Local Government Support Fund finances 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 all in the governmental category.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major government funds are the General Fund and the Permanent Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

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

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
 Unaudited

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 484,896	\$ 520,463
Investments	109,615	116,054
Total Assets	594,511	636,517
Net Assets		
Restricted	200,000	200,000
Unrestricted	394,511	436,517
Total Net Assets	\$ 594,511	\$ 636,517

As mentioned previously, net assets of governmental activities decreased \$ 42,006 or 6.6 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Purchase of a new library circulation system for \$39,491.
- Due to an unusually hot summer, payments for electric increased 16.3 percent.
- Health benefit costs grew substantially with an increase of 16.8 percent.

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

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

(Table 2)
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program Receipts:		
Patron Fines and Lost Item Income	8,649	7,805
Patron Rental and Usage Income	5,469	5,702
Other Patron Fines and Fees	0	75
Rental of Office Space	2,400	2,400
Total Program Receipts-Charges for Services	<u>16,518</u>	<u>15,982</u>
General Receipts:		
Library and Local Government Support	490,221	487,538
Sale of Fixed Assets	1,944	2,211
Contributions Not Restricted to Specific Programs	10,829	10,667
Interest	15,134	10,472
Miscellaneous	207	239
Total General Receipts	<u>518,335</u>	<u>511,127</u>
Total Receipts	<u>534,853</u>	<u>527,109</u>
Disbursements:		
Salaries and Benefits	378,301	355,148
Supplies	12,487	15,520
Library Materials	62,921	71,928
Insurance	4,477	4,681
Facilities Operations	43,306	40,849
Contracts and Purchased Services	22,563	30,204
Capital Outlay	52,804	14,908
Total Disbursements	<u>576,859</u>	<u>533,238</u>
Increase (Decrease) in Net Assets	(42,006)	(6,129)
Net assets, January 1	<u>636,517</u>	<u>642,646</u>
Net assets, December 31	<u><u>\$594,511</u></u>	<u><u>\$636,517</u></u>

Program receipts represent only 3 percent of total receipts 2004 and 2005 and are primarily comprised of fines and late fees, fees charged for copier use, and office rent received.

General receipts represent 97 percent of the Library's total receipts, and of this amount, over 94.6 percent for 2005 and 95.4 percent for 2004 are Library and Local Government Support Funds. Miscellaneous receipts, interest, and unrestricted contributions make up 5.0 percent for 2005 and 4.1 percent for 2004 of the Library's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
 Unaudited

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Salaries and Benefits and Library Materials, which account for 66 and 11 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Salaries and Benefits	\$378,301	\$378,301
Supplies	12,487	7,018
Library Materials	62,921	54,272
Insurance	4,477	4,477
Facilities Operations	43,306	40,906
Contracts and Purchased Services	22,563	22,563
Capital Outlay	52,804	52,804
Total Expenses	\$576,859	\$560,341

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
Salaries and Benefits	\$355,148	\$355,148
Supplies	15,520	9,818
Library Materials	71,928	64,048
Insurance	4,681	4,681
Facilities Operations	40,849	38,449
Contracts and Purchased Services	30,204	30,204
Capital Outlay	14,908	14,908
Total Expenses	\$533,238	\$517,256

The Library's Funds

In 2005, total governmental funds had receipts of \$534,853 and disbursements of \$576,859. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$47,342 as the result of the purchase of a new circulation system and the stagnancy of receipts from the Library and Local Government Support Fund. In 2004, total governmental funds had receipts of 527,109 and disbursements of 533,238. The fund balance of the General Fund decreased \$6,129.

Jackson City Library, Jackson County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

General Fund receipts were less than disbursements by \$47,342 in 2005 and \$10,046 in 2004 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers.

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 once to reflect changing circumstances in the Library and Local Government Support Fund (LLGSF). Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in receipts. The difference between final budgeted receipts and actual receipts was not significant.

In 2005, final disbursements were budgeted at \$635,729 while actual disbursements were \$576,859. In 2004, final disbursements were budgeted at \$593,921 while actual disbursements were \$533,238. Although receipts failed to live up to expectations, appropriations were not reduced. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$47,342 for 2005.

Capital Assets

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library heavily depends on receipts from the Library and Local Government Support Fund (LLGSF). With the LLGSF being frozen at the 2004 level for 2005 and with the uncertainty of future funding, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

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 Gretchen Crabtree, Clerk-Treasurer, Jackson City Library, 21 Broadway Street, Jackson, Ohio 45640.

Jackson City Library, Jackson County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$484,896
Investments	<u>109,615</u>
<i>Total Assets</i>	<u><u>\$594,511</u></u>
Net Assets	
Restricted for:	
Permanent Fund - Baker/Jones Matthews Endowment	
Nonexpendable	\$200,000
Unrestricted	<u>394,511</u>
<i>Total Net Assets</i>	<u><u>\$594,511</u></u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Salaries and Benefits	\$378,301	\$ 0	(\$378,301)
Supplies	12,487	5,469	(7,018)
Library Materials	62,921	8,649	(54,272)
Insurance	4,477		(4,477)
Facilities Operations	43,306	2,400	(40,906)
Contracts and Purchased Services	22,563		(22,563)
Capital Outlay	52,804		(52,804)
<i>Total Governmental Activities</i>	<u>\$576,859</u>	<u>\$16,518</u>	(560,341)
General Receipts			
Library and Local Government			490,221
Sale of Fixed Assets			1,944
Unrestricted Gifts and Contributions			10,829
Interest			15,134
Miscellaneous			207
<i>Total General Receipts</i>			<u>518,335</u>
Change in Net Assets			(42,006)
<i>Net Assets Beginning of Year</i>			<u>636,517</u>
<i>Net Assets End of Year</i>			<u>\$594,511</u>

See accompanying notes to the basic financial statements

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

	General	Permanent Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$270,503	\$214,393	\$484,896
Investments	109,615		109,615
<i>Total Assets</i>	<u>\$380,118</u>	<u>\$214,393</u>	<u>\$594,511</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$11,032		\$11,032
Reserved for Endowment		\$200,000	200,000
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	369,086		369,086
Permanent Funds		14,393	14,393
<i>Total Fund Balances</i>	<u>\$380,118</u>	<u>\$214,393</u>	<u>\$594,511</u>

See accompanying notes to the basic financial statements

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

	General	Permanent Fund	Total Governmental Funds
Cash Receipts			
Library and Local Government Support	\$490,221	\$	\$490,221
Patron Fines and Fees	14,118		14,118
Contributions, Gifts and Donations	10,829		10,829
Earnings on Investments	9,798	5,336	15,134
Miscellaneous	2,607		2,607
<i>Total Cash Receipts</i>	<u>527,573</u>	<u>5,336</u>	<u>532,909</u>
Cash Disbursements			
Library Services:			
Salaries and Benefits	378,301		378,301
Supplies	12,487		12,487
Library Materials	62,921		62,921
Insurance	4,477		4,477
Facilities Operations	43,306		43,306
Contracts and Purchased Services	22,563		22,563
Capital Outlay	52,804		52,804
<i>Total Cash Disbursements</i>	<u>576,859</u>	<u>0</u>	<u>576,859</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(49,286)</u>	<u>5,336</u>	<u>(43,950)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	1,944		1,944
<i>Total Other Financing Sources (Uses)</i>	<u>1,944</u>	<u>0</u>	<u>1,944</u>
<i>Net Change in Fund Balances</i>	(47,342)	5,336	(42,006)
<i>Fund Balances Beginning of Year</i>	<u>427,460</u>	<u>209,057</u>	<u>636,517</u>
<i>Fund Balances End of Year</i>	<u>\$380,118</u>	<u>\$214,393</u>	<u>\$594,511</u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For The Year Ended December 31, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts				
Library and Local Government Support	\$508,482	\$490,221	\$490,221	\$0
Patron Fines and Fees	9,025	9,025	14,118	5,093
Contributions, Gifts and Donations	5,400	5,400	10,829	5,429
Earnings on Investment	5,000	5,000	9,798	4,798
Miscellaneous	2,575	2,575	2,607	32
<i>Total Receipts</i>	<u>530,482</u>	<u>512,221</u>	<u>527,573</u>	<u>15,352</u>
Disbursements				
Library Services:				
Salaries and Benefits	382,840	383,140	378,301	4,839
Supplies	17,747	18,147	12,487	5,660
Library Materials	87,698	87,698	62,921	24,777
Insurance	5,000	5,000	4,477	523
Facilities Operations	46,638	49,838	43,306	6,532
Contracts and Purchased Services	34,326	34,406	22,563	11,843
Capital Outlay	56,500	57,500	52,804	4,696
<i>Total Disbursements</i>	<u>630,749</u>	<u>635,729</u>	<u>576,859</u>	<u>58,870</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(100,267)</u>	<u>(123,508)</u>	<u>(49,286)</u>	<u>74,222</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,500	1,500	1,944	444
Other Financing Uses	(20,000)	(15,020)	0	15,020
<i>Total Other Financing Sources (Uses)</i>	<u>(18,500)</u>	<u>(13,520)</u>	<u>1,944</u>	<u>15,464</u>
<i>Net Change in Fund Balance</i>	<u>(118,767)</u>	<u>(137,028)</u>	<u>(47,342)</u>	<u>89,686</u>
<i>Fund Balance Beginning of Year</i>	417,281	417,281	417,281	0
Prior Year Encumbrances Appropriated	10,179	10,179	10,179	0
<i>Fund Balance End of Year</i>	<u>\$308,693</u>	<u>\$290,432</u>	<u>\$380,118</u>	<u>\$89,686</u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$520,463
Investments	<u>116,054</u>
<i>Total Assets</i>	<u><u>\$636,517</u></u>
Net Assets	
Restricted for:	
Permanent Fund - Baker/Jones Matthews Endowment	
Nonexpendable	\$200,000
Unrestricted	<u>436,517</u>
<i>Total Net Assets</i>	<u><u>\$636,517</u></u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Salaries and Benefits	\$355,148	\$	(\$355,148)
Supplies	15,520	5,702	(9,818)
Library Materials	71,928	7,880	(64,048)
Insurance	4,681		(4,681)
Facilities Operations	40,849	2,400	(38,449)
Contracts and Purchased Services	30,204		(30,204)
Capital Outlay	14,908		(14,908)
<i>Total Governmental Activities</i>	<u>\$533,238</u>	<u>\$15,982</u>	(517,256)
General Receipts			
Library and Local Government			487,538
Sale of Fixed Assets			2,211
Unrestricted Gifts and Contributions			10,667
Interest			10,472
Miscellaneous			239
<i>Total General Receipts</i>			<u>511,127</u>
Change in Net Assets			(6,129)
<i>Net Assets Beginning of Year</i>			<u>642,646</u>
<i>Net Assets End of Year</i>			<u><u>\$636,517</u></u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Permanent Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$311,406	\$209,057	\$520,463
Investments	116,054		116,054
<i>Total Assets</i>	<u>\$427,460</u>	<u>\$209,057</u>	<u>\$636,517</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$10,179		\$10,179
Reserved for Endowment		\$200,000	200,000
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	417,281		417,281
Permanent Funds		9,057	9,057
<i>Total Fund Balances</i>	<u>\$427,460</u>	<u>\$209,057</u>	<u>\$636,517</u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Permanent Fund	Total Governmental Funds
Cash Receipts			
Library and Local Government Support	\$487,538	\$	\$487,538
Patron Fines and Fees	13,582		13,582
Contributions, Gifts and Donations	10,667		10,667
Earnings on Investments	6,555	3,917	10,472
Miscellaneous	2,639		2,639
<i>Total Cash Receipts</i>	<u>520,981</u>	<u>3,917</u>	<u>524,898</u>
Cash Disbursements			
Library Services:			
Salaries and Benefits	355,148		355,148
Supplies	15,520		15,520
Library Materials	71,928		71,928
Insurance	4,681		4,681
Facilities Operations	40,849		40,849
Contracts and Purchased Services	30,204		30,204
Capital Outlay	14,908		14,908
<i>Total Cash Disbursements</i>	<u>533,238</u>	<u>0</u>	<u>533,238</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(12,257)</u>	<u>3,917</u>	<u>(8,340)</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	2,211		2,211
<i>Total Other Financing Sources (Uses)</i>	<u>2,211</u>	<u>0</u>	<u>2,211</u>
<i>Net Change in Fund Balances</i>	(10,046)	3,917	(6,129)
<i>Fund Balances Beginning of Year</i>	<u>437,506</u>	<u>205,140</u>	<u>642,646</u>
<i>Fund Balances End of Year</i>	<u>\$427,460</u>	<u>\$209,057</u>	<u>\$636,517</u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$486,945	\$486,945	\$487,538	\$593
Patron Fines and Fees	8,825	8,825	13,582	4,757
Contributions, Gifts and Donations	7,550	7,550	10,667	3,117
Earnings on Investment	6,000	6,000	6,555	555
Miscellaneous	2,575	2,575	2,639	64
<i>Total Receipts</i>	<u>511,895</u>	<u>511,895</u>	<u>520,981</u>	<u>9,086</u>
Disbursements				
Library Services:				
Salaries and Benefits	360,635	362,135	355,148	6,987
Supplies	20,838	21,338	15,520	5,818
Library Materials	93,070	93,570	71,928	21,642
Insurance	5,000	5,000	4,681	319
Facilities Operations	46,831	47,631	40,849	6,782
Contracts and Purchased Services	42,429	42,429	30,204	12,225
Capital Outlay	21,818	21,818	14,908	6,910
<i>Total Disbursements</i>	<u>590,621</u>	<u>593,921</u>	<u>533,238</u>	<u>60,683</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(78,726)</u>	<u>(82,026)</u>	<u>(12,257)</u>	<u>69,769</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,200	1,200	2,211	1,011
Other Financing Uses	(20,000)	(16,700)	0	16,700
<i>Total Other Financing Sources (Uses)</i>	<u>(18,800)</u>	<u>(15,500)</u>	<u>2,211</u>	<u>17,711</u>
<i>Net Change in Fund Balance</i>	(97,526)	(97,526)	(10,046)	87,480
<i>Fund Balance Beginning of Year</i>	419,592	419,592	419,592	0
Prior Year Encumbrances Appropriated	17,914	17,914	17,914	0
<i>Fund Balance End of Year</i>	<u>\$339,980</u>	<u>\$339,980</u>	<u>\$427,460</u>	<u>\$87,480</u>

See accompanying notes to the basic financial statements

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

Note 1 – Description of the Library and Reporting Entity

The Jackson City Library (the Library) was organized as a city public library in 1904 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mayor of Jackson, Ohio. Appointments are for four-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. The Library provides the community with various educational and literary resources. 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 City of Jackson, Ohio, although the City of Jackson, Ohio 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 City of Jackson, Ohio 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 City of Jackson, Ohio.

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 City of Jackson.

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

The Library participates in the Ohio Valley Area Libraries (OVAL), a jointly governed organization. Note 9 to the financial statements provides additional information for this entity.

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 Jackson City 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 and the fund financial statements for the proprietary funds, 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.

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

A. Basis of Presentation

For fiscal year 2004 and 2005 the Library has implemented the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United State of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. 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 all financial activities of the Library.

The statement of net assets-modified cash basis presents the modified cash basis financial condition of 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. General receipts are all receipts not classified as program receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

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 those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. 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.

Permanent Fund – This fund is set aside for the Edward Baker and Ida Jones Matthews Endowment. This original endowment (\$200,000) is non-expendable. Only the interest earned is expendable at the discretion of the Library Board of Trustees.

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

C. Basis of Accounting

The Library prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved.) Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain 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.

1. Cash Receipts – Exchange and Non-Exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include entitlements and donations. On a modified cash basis, receipts from entitlements and donations are recognized in the year in which the monies have been received.

2. Cash Disbursements

On the modified cash basis of accounting, disbursements are recognized at the time payments are made.

D. Budgetary Process

The Library Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control.

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

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively. The Library values certificates of

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

deposit at cost. Money market mutual funds (including STAROhio) are recorded at share values the mutual fund reports.

During 2005 and 2004, investments were limited to Certificates of Deposit and STAR Ohio. Except for STAR Ohio these investments are recorded at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. The Edward Baker and Ida Jones Matthews Endowment classified as a permanent fund has a non-expendable total of \$200,000.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Permanent Fund 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 totaling \$200,000 in the Permanent Fund are restricted and are non-expendable.

K. 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.

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

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

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

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 (STAROhio).

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

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At December 31, 2005 and 2004, the Library had \$80 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 December 31, 2005, \$164,393 of the Library's bank balance of \$503,619 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. At December 31, 2004, \$160,902 of the Library's bank balance of \$536,179 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution.

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

Investments

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

	Carrying Value at Dec. 31, 2005	Carrying Value at Dec. 31, 2004	Maturity
STAROhio	\$ 109,615	\$ 116,054	Average

STAROhio 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Budgetary Activity

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 differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at 2005 year end (budgetary basis) amounted to \$11,032 for the General Fund. The encumbrances outstanding at 2004 year end amounted to \$10,179 for the General Fund.

Note 6 - Risk Management

The Jackson City Library maintains comprehensive insurance coverage with private carriers for real property and building contents, as well as errors and omissions. Real property and contents are 100% insured. Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

The Library provides health insurance to full-time employees through a private carrier. The Library also provides life, dental, and vision insurance to full-time employees.

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. All employees are on the traditional OPERS 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.

Effective January 1998, the Library's OPERS members contributed 4.5% of the 8.5 % required of their gross salaries. The Library contributed the remaining 4% of the employees' gross salaries required as a fringe benefit to employees. The Library also contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004.

The Library's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$34,599, \$33,106, and \$33,757 respectively; the full amount has been contributed for 2005, 2004, and 2003.

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 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 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.

Jackson City Library, Jackson County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004 and 2005

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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 9 – Jointly Governed Organizations

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

Note 10 – Related Party Transactions

The Library pays an annual fee as well as service fees to the Ohio Valley Area Libraries (OVAL) a jointly governed organization of which the Library is a member. OVAL provides training programs, technology support, and website hosting services for which the member libraries are billed each month. The Library paid \$17,316 to OVAL for annual dues and fees for services provided and \$3,242 for dental/vision insurances provided through OVAL in 2005. The Library paid \$22,071 to OVAL for annual dues and fees for services provided and \$3,358 for dental/vision insurances provided through OVAL in 2004.



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*

Jackson City Library
Jackson County
21 Broadway Street
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Jackson City Library, Jackson County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 28, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Library's financial transactions were processed using 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 conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's basic 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*.

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Jackson City Library
Jackson 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 the audit committee, 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

March 28, 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

JACKSON CITY LIBRARY

JACKSON 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
MAY 30, 2006**