

# *Taylor Memorial Public Library*

## *AUDIT REPORT*

*FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004*

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





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Taylor Memorial Public Library  
2015 Third St.  
Cuyahoga Falls, OH 44223

We have reviewed the *Report of Independent Accountants* of the Taylor Memorial Public Library, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 5, 2006

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**TAYLOR MEMORIAL PUBLIC LIBRARY**  
**SUMMIT COUNTY**  
**AUDIT REPORT**  
For the years ended December 31, 2005 and 2004

Table of Contents

| <u>Title</u>  | <u>Page</u> |
|---|-------------|
| Report of Independent Accountants.....  | 1-2         |
| Management’s Discussion and Analysis.....   | 3-8         |
| Basic Financial Statements:   |             |
| Government-wide Financial Statements - 2005:  |             |
| Statement of Net Assets – Modified Cash Basis .....   | 9           |
| Statement of Activities – Modified Cash Basis.....  | 10          |
| Fund Financial Statements - 2005:   |             |
| Statement of Modified Cash Basis Assets and Fund Balances .....   | 11          |
| Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Modified Cash Basis Fund Balances.....  | 12          |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund<br>Balance – Budget and Actual – Budget Basis - General Fund.....  | 13          |
| Government-wide Financial Statements - 2004:  |             |
| Statement of Net Assets – Modified Cash Basis .....   | 14          |
| Statement of Activities – Modified Cash Basis.....  | 15          |
| Fund Financial Statements - 2004:   |             |
| Statement of Modified Cash Basis Assets and Fund Balances .....   | 16          |
| Statement of Cash Receipts, Cash Disbursements, and Changes in<br>Modified Cash Basis Fund Balances.....  | 17          |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund<br>Balance – Budget and Actual – Budget Basis - General Fund.....  | 18          |
| Notes to the Basic Financial Statements .....   | 19-28       |
| Report on Internal Control Over Financial Reporting and on Compliance and<br>Other Matters Based on an Audit of Financial Statements Performed<br>in Accordance With <i>Government Auditing Standards</i> ..... | 29          |
| Status of Prior Audit’s Citations and Recommendations.....  | 30          |

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**The Board of Trustees  
Taylor Memorial Public Library  
Cuyahoga Falls, Ohio**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Taylor Memorial Public 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 an opinion on these financial statements based on our audit.

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

As discussed in Note 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, each major fund and the aggregate remaining fund information of the Library, 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 a report dated May 22, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

*Charles E. Harris & Associates, Inc.*  
May 22, 2006

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of the Taylor Memorial Public Library's (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 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 \$619,825 or 20 percent, a significant change from the prior year. The fund most affected by the decrease was the Building Fund, which realized the greatest burden of increased costs in 2005. In 2004 net assets had only a slight decrease of \$193,759 or 6%.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts. These receipts represent respectively 97.9 and 96.8 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 or 2003.

A significant increase of \$509,218 in expenses occurred for capital outlay in 2005 for the renovation of the Library.

### **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 Government'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.

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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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.

**Reporting the Taylor Memorial Public 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the 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 state's funding levels, the increase/decrease of memberships, the extent of participation in the Library's activities from members and non-members. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

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 Taylor Memorial Public 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 has two major governmental funds – the General Fund and the Building Fund. 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.

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**The Government as a Whole**

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

(Table 1)  
**Net Assets**

|  | Governmental Activities |             |
|--|-------------------------|-------------|
|  | 2005                    | 2004        |
| <b>Assets</b>  |                         |             |
| Cash and Cash Equivalents                                      | \$ 306,718              | \$ 447,293  |
| Investments  | 2,162,108               | 2,641,358   |
| Total Assets   | 2,468,826               | 3,088,651   |
| <b>Net Assets</b>  |                         |             |
| Restricted for:  |                         |             |
| Capital Projects   | 1,932,038               | 2,421,571   |
| Permanent Fund - Caroline Affleck<br>Memorial Scholarship Fund |                         |             |
| Nonexpendable  | 25,000                  | 25,000      |
| Other Purposes   | 205,070                 | 194,787     |
| Unrestricted   | 306,718                 | 447,293     |
| Total Net Assets   | \$2,468,826             | \$3,088,651 |

As mentioned previously, net assets of governmental activities decreased \$ 619,825 or 20 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Library had major renovations in 2005, capital outlay increased \$509,218.

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

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

(Table 2)  
**Changes in Net Assets**

|  | Governmental<br>Activities<br>2005 | Governmental<br>Activities<br>2004 |
|--|------------------------------------|------------------------------------|
| Receipts:  |                                    |                                    |
| Program Receipts:  |                                    |                                    |
| Charges for Services and Sales   | \$36,778                           | \$56,406                           |
| Total Program Receipts   | <u>36,778</u>                      | <u>56,406</u>                      |
| General Receipts:  |                                    |                                    |
| Library and Local Government<br>Grants and Entitlements Not Restricted<br>to Specific Programs | 1,641,573                          | 1,638,247                          |
| Interest   | 22,348                             | 6,588                              |
| Miscellaneous  | 90,172                             | 41,371                             |
| Total General Receipts   | <u>1,755,671</u>                   | <u>1,688,471</u>                   |
| Total Receipts   | <u>1,792,449</u>                   | <u>1,744,877</u>                   |
| Disbursements:   |                                    |                                    |
| Salaries and Benefits  | 1,166,460                          | 1,182,547                          |
| Purchased and Contract Services  | 316,816                            | 346,549                            |
| Library Materials and Information<br>Supplies  | 358,349                            | 351,022                            |
| Other  | 45,190                             | 47,531                             |
| Capital Outlay   | 9,843                              | 4,589                              |
| Total Disbursements  | <u>515,616</u>                     | <u>6,398</u>                       |
|  | <u>2,412,274</u>                   | <u>1,938,636</u>                   |
| Increase (Decrease) in Net Assets  | (619,825)                          | (193,759)                          |
| Net Assets, January 1  | <u>3,088,651</u>                   | <u>3,282,410</u>                   |
| Net Assets, December 31  | <u>\$2,468,826</u>                 | <u>\$3,088,651</u>                 |

Program receipts represent only 2.1 percent in 2005 and 3.2 percent in 2004 of total receipts and are primarily comprised of fines and late fees and fees charged for copier use.

General receipts represent 97.9 percent of the Library's total receipts, and of this amount, over 93.5 percent for 2005 and 97.0 percent for 2004 are Library and Local Government Support Funds. Miscellaneous receipts, interest, and unrestricted contributions make up 6.5 percent for 2005 and 3.0 percent for 2004 of the Library's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities on page 10 and 15, 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 in 2005 are for Salaries and Benefits and Capital Outlay, which account for 48.4 and 21.4 percent of all governmental disbursements, respectively. The major program disbursements for governmental activities in 2004 are for Salaries and Benefits, which account for 61 percent of all governmental disbursements. The next column of the Statement, entitled Program Cash Receipts identify 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)

| <b>Governmental Activities</b>    |                                   |                                 |
|-----------------------------------|-----------------------------------|---------------------------------|
|                                   | Total Cost<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|                                   | <u>2005</u>                       | <u>2005</u>                     |
| Salaries and Benefits             | \$1,166,460                       | \$1,129,682                     |
| Purchased and Contract Services   | 316,816                           | 316,816                         |
| Library Materials and Information | 358,349                           | 358,349                         |
| Supplies                          | 45,190                            | 45,190                          |
| Other                             | 9,843                             | 9,843                           |
| Capital Outlay                    | 515,616                           | 515,616                         |
| Total Expenses                    | <u>\$2,412,274</u>                | <u>\$2,375,496</u>              |

  

| <b>Governmental Activities</b>    |                                   |                                 |
|-----------------------------------|-----------------------------------|---------------------------------|
|                                   | Total Cost<br>Of Services<br>2004 | Net Cost<br>of Services<br>2004 |
|                                   | <u>2004</u>                       | <u>2004</u>                     |
| Salaries and Benefits             | \$1,182,547                       | \$1,126,141                     |
| Purchased and Contract Services   | 346,549                           | 346,549                         |
| Library Materials and Information | 351,022                           | 351,022                         |
| Supplies                          | 47,531                            | 47,531                          |
| Other                             | 4,589                             | 4,589                           |
| Capital Outlay                    | 6,398                             | 6,398                           |
| Total Expenses                    | <u>\$1,938,636</u>                | <u>\$1,882,230</u>              |

The dependence upon LLGSF and other general revenues for governmental activities is demonstrated in the above tables. Over 98 percent of disbursements are supported through LLGSF and other general revenues in 2005, and over 97 percent of disbursements are supported through LLGSF and other general revenues in 2004.

Taylor Memorial Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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### **The Library's Funds**

In 2005, the Library's funds had receipts of \$1.8 million and disbursements of \$2.4 million. The greatest change within governmental funds occurred within the Building Fund. The fund balance of the Building Fund decreased \$489,533 as a result of the Library renovation and the stagnancy of receipts from the Library and Local Government Support Fund. In 2004, total governmental funds had receipts of \$1.7 million and disbursements of \$1.9 million. The fund balance of the General Fund decreased \$155,157.

### **General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Library amended its General Fund budget several times to reflect changing circumstances 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 \$1.9 million while actual disbursements were \$2.0 million. In 2004, final disbursements were budgeted at \$2.3 million while actual disbursements were \$2.1 million. Although receipts failed to live up to expectations in both years, appropriations were not reduced for both years. 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 \$263,389 for 2005 and \$348,480 for 2004.

### **Capital Assets and Debt Administration**

The Library does not currently keep track of its capital assets and infrastructure. The Library did not have any debt as of December 2005 and 2004.

### **Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. 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 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 Theresa Licitri, Clerk-Treasurer, Taylor Memorial Public Library, 2015 Third St., Cuyahoga Falls, Ohio 44221.

**Taylor Memorial Public Library, Summit County**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2005*

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|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Equity in Pooled Cash and Cash Equivalents                  | \$ 306,718                         |
| Investments   | <u>2,162,108</u>                   |
| <i>Total Assets</i>   | <u><u>\$ 2,468,826</u></u>         |
| <br>  |                                    |
| <b>Net Assets</b>   |                                    |
| Restricted for:   |                                    |
| Capital Projects  | \$ 1,932,038                       |
| Permanent Fund - Caroline Affleck Memorial Scholarship Fund |                                    |
| Nonexpendable   | 25,000                             |
| Other Purposes  | 205,070                            |
| Unrestricted  | <u>306,718</u>                     |
| <i>Total Net Assets</i>                                     | <u><u>\$ 2,468,826</u></u>         |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2005*

|                                      | Cash<br>Disbursements | Program<br>Cash Receipts             | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|--------------------------------------|-----------------------|--------------------------------------|--|
|                                      |                       | Charges<br>for Services<br>and Sales | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>       |                       |                                      |  |
| Salaries and Benefits                | \$ 1,166,460          | \$ 36,778                            | \$ (1,129,682)   |
| Purchased and Contract Services      | 316,816               | -                                    | (316,816)  |
| Library Materials and Information    | 358,349               | -                                    | (358,349)  |
| Supplies                             | 45,190                | -                                    | (45,190)   |
| Other                                | 9,843                 | -                                    | (9,843)  |
| Capital Outlay                       | 515,616               | -                                    | (515,616)  |
| <i>Total Governmental Activities</i> | <u>\$ 2,412,274</u>   | <u>\$ 36,778</u>                     | <u>\$ (2,375,496)</u>  |
| <b>General Receipts</b>              |                       |                                      |  |
| Library and Local Government         |                       |                                      | 1,641,573  |
| Unrestricted Gifts and Contributions |                       |                                      | 22,348   |
| Interest                             |                       |                                      | 90,172   |
| Miscellaneous                        |                       |                                      | 1,578  |
| <i>Total General Receipts</i>        |                       |                                      | 1,755,671  |
| Change in Net Assets                 |                       |                                      | (619,825)  |
| <i>Net Assets Beginning of Year</i>  |                       |                                      | <u>3,088,651</u>   |
| <i>Net Assets End of Year</i>        |                       |                                      | <u>\$ 2,468,826</u>  |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

|  | General           | Building<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                   |                     |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 306,718        | \$ -                | \$ -                           | \$ 306,718                     |
| Investments                                | -                 | 1,932,038           | 230,070                        | 2,162,108                      |
| <i>Total Assets</i>                        | <u>\$ 306,718</u> | <u>\$ 1,932,038</u> | <u>\$ 230,070</u>              | <u>\$ 2,468,826</u>            |
| <b>Fund Balances</b>                       |                   |                     |                                |                                |
| Reserved:                                  |                   |                     |                                |                                |
| Reserved for Encumbrances                  | \$ 122,814        | \$ 675,576          | \$ -                           | \$ 798,390                     |
| Reserved for Scholarships                  | -                 | -                   | 25,000                         | 25,000                         |
| Unreserved:                                |                   |                     |                                |                                |
| Undesignated (Deficit), Reported in:       |                   |                     |                                |                                |
| General Fund                               | 183,904           | -                   | -                              | 183,904                        |
| Special Revenue Funds                      | -                 | -                   | 175,322                        | 175,322                        |
| Capital Projects Funds                     | -                 | 1,256,462           | -                              | 1,256,462                      |
| Permanent Funds                            | -                 | -                   | 29,748                         | 29,748                         |
| <i>Total Fund Balances</i>                 | <u>\$ 306,718</u> | <u>\$ 1,932,038</u> | <u>\$ 230,070</u>              | <u>\$ 2,468,826</u>            |

See accompanying notes to the basic financial statements

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

|  | General           | Building<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|---------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                   |                     |                                |                                |
| Library and Local Government                         | \$ 1,641,573      | \$ -                | \$ -                           | \$ 1,641,573                   |
| Patron Fines and Fees                                | 36,778            | -                   | -                              | 36,778                         |
| Contributions, Gifts and Donations                   | -                 | -                   | 22,348                         | 22,348                         |
| Earnings on Investments                              | 9,127             | 76,388              | 4,657                          | 90,172                         |
| Miscellaneous  | 1,578             | -                   | -                              | 1,578                          |
| <i>Total Receipts</i>                                | <u>1,689,056</u>  | <u>76,388</u>       | <u>27,005</u>                  | <u>1,792,449</u>               |
| <b>Disbursements</b>                                 |                   |                     |                                |                                |
| Current:   |                   |                     |                                |                                |
| Salaries and Benefits                                | 1,164,460         | -                   | 2,000                          | 1,166,460                      |
| Purchased and Contract Services                      | 266,369           | 50,447              | -                              | 316,816                        |
| Library Materials and Information                    | 343,650           | -                   | 14,699                         | 358,349                        |
| Supplies   | 45,190            | -                   | -                              | 45,190                         |
| Other  | 9,843             | -                   | -                              | 9,843                          |
| Capital Outlay                                       | 120               | 515,474             | 22                             | 515,616                        |
| <i>Total Disbursements</i>                           | <u>1,829,632</u>  | <u>565,921</u>      | <u>16,721</u>                  | <u>2,412,274</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (140,576)         | (489,533)           | 10,284                         | (619,825)                      |
| <i>Fund Balances Beginning of Year</i>               | <u>447,293</u>    | <u>2,421,571</u>    | <u>219,787</u>                 | <u>3,088,651</u>               |
| <i>Fund Balances End of Year</i>                     | <u>\$ 306,717</u> | <u>\$ 1,932,038</u> | <u>\$ 230,071</u>              | <u>\$ 2,468,826</u>            |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit 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<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             | Actual            |   |
| <b>Receipts</b>                                      |                   |                   |                   |   |
| Library and Local Government                         | \$ 1,701,464      | \$ 1,641,573      | \$ 1,641,573      | -   |
| Patron Fines and Fees                                | 46,473            | 41,052            | 36,778            | \$ (4,274)  |
| Earnings on Investments                              | 11,533            | 10,187            | 9,127             | (1,060)   |
| Miscellaneous  | 1,994             | 1,761             | 1,578             | (183)   |
| <i>Total receipts</i>                                | <u>1,761,464</u>  | <u>1,694,573</u>  | <u>1,689,056</u>  | <u>(5,517)</u>  |
| <b>Disbursements</b>                                 |                   |                   |                   |   |
| Current:   |                   |                   |                   |   |
| Salaries and Benefits                                |                   |                   |                   |   |
| Salaries and Leave Benefits                          | 1,025,000         | 1,025,000         | 1,024,420         | 580   |
| Retirement Benefits                                  | 135,500           | 135,500           | 135,102           | 398   |
| Insurance Benefits                                   | 102,000           | 102,000           | 99,541            | 2,459   |
| Benefit Plan   | 6,300             | 6,300             | 3,331             | 2,969   |
| Purchased and Contract Services                      |                   |                   |                   |   |
| Travel and Meeting Expenses                          | 5,000             | 5,000             | 3,243             | 1,757   |
| Communications, Printing, and Publicity              | 20,000            | 20,000            | 13,819            | 6,181   |
| Property Maintenance, Repairs and Security Services  | 87,000            | 87,000            | 82,519            | 4,481   |
| Insurance  | 20,000            | 20,000            | 19,190            | 810   |
| Rents/Leases   | 19,000            | 19,000            | 18,798            | 202   |
| Utilities  | 78,000            | 78,000            | 77,774            | 226   |
| Professional Services                                | 28,000            | 28,000            | 18,939            | 9,061   |
| Library Material Control Services                    | 33,000            | 33,000            | 30,600            | 2,400   |
| Other Contracts and Purchased Services               | 2,000             | 2,000             | 1,488             | 512   |
| Library Materials and Information                    |                   |                   |                   |   |
| Books and Pamphlets                                  | 230,000           | 230,000           | 221,988           | 8,012   |
| Periodicals  | 35,000            | 35,000            | 34,869            | 131   |
| Audiovisual Materials                                | 78,000            | 78,000            | 77,833            | 167   |
| Computer Services and Information                    | 29,000            | 29,000            | 28,472            | 528   |
| Inter-Library Loan Fees/Charges                      | 1,000             | 1,000             | 487               | 513   |
| Supplies   |                   |                   |                   |   |
| General Administrative Supplies                      | 43,000            | 43,000            | 40,762            | 2,238   |
| Property Maintenance/Repairs and Supplies            | 6,000             | 6,000             | 4,428             | 1,572   |
| Other  |                   |                   |                   |   |
| Dues and Memberships                                 | 8,000             | 8,000             | 7,588             | 412   |
| Contingency  |                   |                   |                   |   |
| Contingency  | 3,281             | 3,281             | 2,254             | 1,027   |
| Capital Outlay                                       |                   |                   |                   |   |
| Furniture and Equipment                              | 5,000             | 5,000             | 5,000             | -   |
| <i>Total Disbursements</i>                           | <u>1,999,081</u>  | <u>1,999,081</u>  | <u>1,952,445</u>  | <u>46,636</u>   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(237,617)</u>  | <u>(304,508)</u>  | <u>(263,389)</u>  | <u>41,119</u>   |
| <i>Fund Balance Beginning of Year</i>                | 253,972           | 253,972           | 253,972           | -   |
| Prior Year Encumbrances Appropriated                 | 193,321           | 193,321           | 193,321           | -   |
| <i>Fund Balance End of Year</i>                      | <u>\$ 209,676</u> | <u>\$ 142,785</u> | <u>\$ 183,904</u> | <u>\$ 41,119</u>  |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2004*

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|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Equity in Pooled Cash and Cash Equivalents                  | \$ 447,293                         |
| Investments   | <u>2,641,358</u>                   |
| <i>Total Assets</i>   | <u><u>\$ 3,088,651</u></u>         |
| <br>  |                                    |
| <b>Net Assets</b>   |                                    |
| Restricted for:   |                                    |
| Capital Projects  | \$ 2,421,571                       |
| Permanent Fund - Caroline Affleck Memorial Scholarship Fund |                                    |
| Nonexpendable   | 25,000                             |
| Other Purposes  | 194,787                            |
| Unrestricted  | <u>447,293</u>                     |
| <i>Total Net Assets</i>                                     | <u><u>\$ 3,088,651</u></u>         |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2004*

|                                      | Cash<br>Disbursements | Program<br>Cash Receipts             | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|--------------------------------------|-----------------------|--------------------------------------|--|
|                                      |                       | Charges<br>for Services<br>and Sales | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>       |                       |                                      |  |
| Salaries and Benefits                | \$ 1,182,547          | \$ 56,406                            | \$ (1,126,141)   |
| Purchased and Contract Services      | 346,549               | -                                    | (346,549)  |
| Library Materials and Information    | 351,022               | -                                    | (351,022)  |
| Supplies                             | 47,531                | -                                    | (47,531)   |
| Other                                | 4,589                 | -                                    | (4,589)  |
| Capital Outlay                       | 6,398                 | -                                    | (6,398)  |
| <i>Total Governmental Activities</i> | <u>\$ 1,938,636</u>   | <u>\$ 56,406</u>                     | <u>\$ (1,882,230)</u>  |
| <b>General Receipts</b>              |                       |                                      |  |
| Library and Local Government         |                       |                                      | 1,638,247  |
| Unrestricted Gifts and Contributions |                       |                                      | 6,588  |
| Interest                             |                       |                                      | 41,371   |
| Miscellaneous                        |                       |                                      | 2,265  |
| <i>Total General Receipts</i>        |                       |                                      | <u>1,688,471</u>   |
| Change in Net Assets                 |                       |                                      | (193,759)  |
| <i>Net Assets Beginning of Year</i>  |                       |                                      | <u>3,282,410</u>   |
| <i>Net Assets End of Year</i>        |                       |                                      | <u>\$ 3,088,651</u>  |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2004

|  | General           | Building<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                   |                     |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 447,293        | \$ -                | \$ -                           | \$ 447,293                     |
| Investments                                | -                 | 2,421,571           | 219,787                        | 2,641,358                      |
| <i>Total Assets</i>                        | <u>\$ 447,293</u> | <u>\$ 2,421,571</u> | <u>\$ 219,787</u>              | <u>\$ 3,088,651</u>            |
| <b>Fund Balances</b>                       |                   |                     |                                |                                |
| Reserved:                                  |                   |                     |                                |                                |
| Reserved for Encumbrances                  | \$ 193,321        | \$ 20,000           | \$ 768                         | \$ 214,089                     |
| Reserved for Scholarships                  | -                 | -                   | 25,000                         | 25,000                         |
| Unreserved:                                |                   |                     |                                |                                |
| Undesignated (Deficit), Reported in:       |                   |                     |                                |                                |
| General Fund                               | 253,972           | -                   | -                              | 253,972                        |
| Special Revenue Funds                      | -                 | -                   | 163,943                        | 163,943                        |
| Capital Projects Funds                     | -                 | 2,401,571           | -                              | 2,401,571                      |
| Permanent Funds                            | -                 | -                   | 30,076                         | 30,076                         |
| <i>Total Fund Balances</i>                 | <u>\$ 447,293</u> | <u>\$ 2,421,571</u> | <u>\$ 219,787</u>              | <u>\$ 3,088,651</u>            |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit County**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
 Governmental Funds  
 For the Year Ended December 31, 2004

|  | General           | Building<br>Fund    | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|---------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                   |                     |                                |                                |
| Library and Local Government                         | \$ 1,638,247      | \$ -                | \$ -                           | \$ 1,638,247                   |
| Patron Fines and Fees                                | 56,406            | -                   | -                              | 56,406                         |
| Contributions, Gifts and Donations                   | -                 | -                   | 6,588                          | 6,588                          |
| Earnings on Investments                              | 7,318             | 31,484              | 2,569                          | 41,371                         |
| Miscellaneous  | 2,265             | -                   | -                              | 2,265                          |
| <i>Total Receipts</i>                                | <u>1,704,236</u>  | <u>31,484</u>       | <u>9,157</u>                   | <u>1,744,877</u>               |
| <b>Disbursements</b>                                 |                   |                     |                                |                                |
| Current:   |                   |                     |                                |                                |
| Salaries and Benefits                                | 1,179,280         | -                   | 3,267                          | 1,182,547                      |
| Purchased and Contract Services                      | 286,940           | 59,609              | -                              | 346,549                        |
| Library Materials and Information                    | 335,468           | -                   | 15,554                         | 351,022                        |
| Supplies   | 47,531            | -                   | -                              | 47,531                         |
| Other  | 4,589             | -                   | -                              | 4,589                          |
| Capital Outlay                                       | 5,584             | 814                 | -                              | 6,398                          |
| <i>Total Disbursements</i>                           | <u>1,859,392</u>  | <u>60,423</u>       | <u>18,821</u>                  | <u>1,938,636</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (155,156)         | (28,939)            | (9,664)                        | (193,759)                      |
| <i>Fund Balances Beginning of Year</i>               | <u>602,449</u>    | <u>2,450,510</u>    | <u>229,451</u>                 | <u>3,282,410</u>               |
| <i>Fund Balances End of Year</i>                     | <u>\$ 447,293</u> | <u>\$ 2,421,571</u> | <u>\$ 219,787</u>              | <u>\$ 3,088,651</u>            |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library, Summit 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  |                   | Actual            | Variance with     |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Original          | Final             |                   | Final Budget      |
|  |                   |                   |                   | Positive          |
|  |                   |                   |                   | (Negative)        |
| <b>Receipts</b>                                      |                   |                   |                   |                   |
| Library and Local Government                         | \$ 1,638,047      | \$ 1,638,047      | \$ 1,638,247      | \$ 200            |
| Patron Fines and Fees                                | 137,947           | 137,947           | 56,406            | (81,541)          |
| Earnings on Investments                              | 17,895            | 17,895            | 7,318             | (10,577)          |
| Miscellaneous  | 5,539             | 5,539             | 2,265             | (3,274)           |
| <i>Total receipts</i>                                | <u>1,799,428</u>  | <u>1,799,428</u>  | <u>1,704,236</u>  | <u>(95,192)</u>   |
| <b>Disbursements</b>                                 |                   |                   |                   |                   |
| Current:   |                   |                   |                   |                   |
| Salaries and Benefits                                |                   |                   |                   |                   |
| Salaries and Leave Benefits                          | 1,037,178         | 1,037,178         | 1,029,495         | 7,683             |
| Retirement Benefits                                  | 146,298           | 146,298           | 121,578           | 24,720            |
| Insurance Benefits                                   | 110,509           | 110,509           | 92,345            | 18,164            |
| Benefit Plan   | 17,619            | 17,619            | 5,419             | 12,200            |
| Other Employee Benefits                              | 4,000             | 4,000             | 445               | 3,555             |
| Purchased and Contract Services                      |                   |                   |                   |                   |
| Travel and Meeting Expenses                          | 6,000             | 6,000             | 4,019             | 1,981             |
| Communications, Printing, and Publicity              | 24,500            | 24,500            | 17,329            | 7,171             |
| Property Maintenance, Repairs and Security Services  | 129,350           | 129,350           | 125,752           | 3,598             |
| Insurance  | 20,000            | 20,000            | 17,440            | 2,560             |
| Rents/Leases   | 26,000            | 26,000            | 18,268            | 7,732             |
| Utilities  | 130,000           | 130,000           | 123,662           | 6,338             |
| Professional Services                                | 58,402            | 58,402            | 34,192            | 24,210            |
| Library Material Control Services                    | 35,000            | 35,000            | 30,000            | 5,000             |
| Other Contracts and Purchased Services               | 1,300             | 1,300             | 1,279             | 21                |
| Library Materials and Information                    |                   |                   |                   |                   |
| Books and Pamphlets                                  | 310,601           | 310,601           | 264,676           | 45,925            |
| Periodicals  | 22,000            | 22,000            | 21,529            | 471               |
| Audiovisual Materials                                | 106,650           | 106,650           | 65,042            | 41,608            |
| Computer Services and Information                    | 25,000            | 25,000            | 22,431            | 2,569             |
| Inter-Library Loan Fees/Charges                      | 1,000             | 1,000             | 111               | 889               |
| Supplies   |                   |                   |                   |                   |
| General Administrative Supplies                      | 49,194            | 49,194            | 42,183            | 7,011             |
| Property Maintenance/Repairs and Supplies            | 8,000             | 8,000             | 5,348             | 2,652             |
| Other  |                   |                   |                   |                   |
| Dues and Memberships                                 | 14,000            | 14,000            | 3,118             | 10,882            |
| Contingency  |                   |                   |                   |                   |
| Contingency  | 9,634             | 9,634             | 1,471             | 8,163             |
| Capital Outlay                                       |                   |                   |                   |                   |
| Furniture and Equipment                              | 8,272             | 8,272             | 5,584             | 2,688             |
| <i>Total Disbursements</i>                           | <u>2,300,507</u>  | <u>2,300,507</u>  | <u>2,052,716</u>  | <u>247,791</u>    |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(501,079)</u>  | <u>(501,079)</u>  | <u>(348,480)</u>  | <u>152,599</u>    |
| <i>Fund Balance Beginning of Year</i>                | 294,881           | 294,881           | 294,881           | -                 |
| Prior Year Encumbrances Appropriated                 | 307,571           | 307,571           | 307,571           | -                 |
| <i>Fund Balance End of Year</i>                      | <u>\$ 101,373</u> | <u>\$ 101,373</u> | <u>\$ 253,972</u> | <u>\$ 152,599</u> |

See accompanying notes to the basic financial statements

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 1 – Description of the Library and Reporting Entity**

The Taylor Memorial Public Library was organized as a body corporate and politic in 1912 under the laws of the State of Ohio. The Library is directed by an eleven-member Board of Trustees of which five members are lifetime Trustees appointed by the Library Association, four members are appointed by the Mayor of Cuyahoga Falls, and two members are appointed by the Cuyahoga Falls City School District. The Library provides the community with various educational and literary resources. 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 Cuyahoga Falls City School District, although the School District 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 School District 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 School District.

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 Cuyahoga Falls City School District.

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

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library participates in the Cleveland Area Metropolitan Library System (CAMLIS) a jointly governed organization. Note 8 to the financial statements for additional information for this entity.

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

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, the financial statements of the Taylor Memorial 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.

**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 States 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. Governmental activities generally are financed through the Library and Local Government Support Fund (LLGSF).

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. 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 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. Nonmajor funds are aggregated and presented in a single column.

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**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.

Building Fund - This fund accounts for monies set aside by legislation by the Board of Library Trustees many years ago specifically for maintenance of and improvements to the Library's facilities.

The other governmental funds of the Library account for grants and 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. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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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 fund, function and object 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

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

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

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

During 2005 and 2004, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2005 amounted to \$9,127 and during 2004 amounted to \$7,318.

## **Taylor Memorial Public Library**

### **Summit County, Ohio**

*Notes to the Basic Financial Statements*

*For the Years Ended December 31, 2005 and 2004*

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#### 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 no restricted assets.

#### 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. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

#### J. 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.

#### K. 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.

#### L. 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 a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Library had no such transactions in 2005 or 2004.

#### M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets totaling \$25,000 in the permanent fund are restricted and are non-expendable.

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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N. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Note 3 – Change in Basis of Accounting**

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**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by 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;

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

At year end 2005 and 2004, the Library had \$663 and \$1,354 in undeposited cash on hand respectively, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

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, \$45,600 of the Library's bank balance of \$145,600 and at December 31, 2004, \$327,488 of the Library's bank balance of \$427,488 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

As of December 31, 2005, the Library had \$2,162,108 invested in STAROhio and as of December 31, 2004, the Library had \$2,641,358 invested in STAROhio.

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

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**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 LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**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. The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

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

For the year ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$135,102, \$121,578, and \$123,260 respectively; the full amount has been contributed for all three years.

**Taylor Memorial Public Library**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005, which were used to fund postemployment benefits were \$95,219. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 – Jointly Governed Organizations**

The Cleveland Area Metropolitan Library System (CAMLs) is an area service organization created and governed according to the provisions of Section 3375.90 of the Ohio Revised Code. CAMLS is comprised of sixty-four public, academic, special and school libraries. The purpose of CAMLS is to provide an effective and efficient sharing of information, resources, and expertise. CAMLS's Board of Trustees consists of thirteen full members with voting privileges elected by, from, and among the Advisory Council. The Advisory Council is comprised of a representative from each member library system. The Executive Director serves as an ex-officio, non-voting member. The Taylor Memorial Public Library's control over budgeting and financing of CAMLS is limited to its voting authority and its representation on the Board of Trustees.

**Taylor Memorial Public Library  
Summit County, Ohio**

*Notes to the Basic Financial Statements  
For the Years Ended December 31, 2005 and 2004*

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**Note 10 – Related Party Transactions**

The Library pays an annual fee to Cleveland Area Metropolitan Library System (CAMLS) a jointly governed organization of which the Library is a member. CAMLS provides information, resources and expertise to its members. The Library paid \$3,057 for annual dues in 2005 and 2004.

**Note 11 – 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 December 31, 2005 (budgetary basis) amounted to \$122,814 for the General Fund and \$675,576 for the Building Fund. Encumbrances outstanding at year end December 31, 2004 (budgetary basis) amounted to \$193,321 for the General Fund, \$20,000 for the Building Fund, and \$768 for Other Governmental Funds.

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

The Board of Trustees  
Taylor Memorial Public Library  
Cuyahoga Falls, Ohio

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Taylor Memorial Public Library (the Library) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated May 22, 2006, wherein we noted the Library uses a comprehensive basis of accounting other than generally accepted accounting principles and revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

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

*Charles E. Harris & Associates, Inc.*  
May 22, 2006

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2003 and 2002, reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**TAYLOR MEMORIAL PUBLIC LIBRARY**

**SUMMIT 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 18, 2006**