

TWINSBURG PUBLIC LIBRARY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Twinsburg Public Library
10050 Ravenna Road
Twinsburg, Ohio 44087

We have reviewed the *Independent Auditor's Report* of the Twinsburg Public Library, Summit County, prepared by Brott Mardis & Co., 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 Twinsburg Public Library is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 5, 2006

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**TWINSBURG PUBLIC LIBRARY
SUMMIT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Twinsburg Public Library
Summit County
10050 Ravenna Road
Twinsburg, Ohio 44087

We have audited the accompanying financial statements of the governmental activities and each major fund of the Twinsburg Public Library, Summit County, Ohio (the Library) as of and for the years ended December 31, 2005 and 2004. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

As discussed in Note 2, the Library prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and each major fund – modified cash basis of the Twinsburg Public Library, Summit County, Ohio as of December 31, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting described in Note 2.

As described in Note 2, the Library has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, for the years ended December 31, 2005 and 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2006 on our consideration of the Library's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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.

A handwritten signature in black ink that reads "Broth Maudis & Co." in a cursive script.

Certified Public Accountants
June 5, 2006

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

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

Highlights

Key financial highlights for 2005 are as follows:

- Net assets of Library activities increased \$155,406, or 21.72 percent.
- As of December 31, 2005, the fund balance in the Library's General Fund was \$462,094, an increase of \$93,533 or 25.38 percent from the previous year.
- Due to the continued freeze of the Library and Local Government Support Fund (LLGSF), cash receipts were reduced by \$49,553. This had been anticipated and funds had been set aside in the disbursement category of Unanticipated Emergencies.
- At the end of the fiscal year, the Library was able to set aside \$125,000 in the Debt Service Fund and \$75,000 in the Building and Repair Fund for future capital projects and maintenance of the current facilities.

Key financial highlights for 2004 are as follows:

- Net assets of Library activities decreased \$257,621, or 26.47 percent, a significant change from 2003. The fund most affected by the decrease in cash and cash equivalents was the Building and Repair Fund, which realized the final cash disbursements for the 2002 library renovation and addition; however, cost increases affected most funds.
- The Library's general receipts are primarily property tax and LLGSF. Respectively, these receipts represent 34.32 and 56.89 percent of the total cash received for Library activities during the year. Property and LLGSF tax receipts for 2004 decreased 0.03 percent and increased 2.71 percent compared to 2003, respectively.
- The Library celebrated the opening of a 15,000 square foot addition and renovations to the existing building on January 11, 2004. The expansion provided room for Teen Crossings, Children's Place, additional meeting rooms and administrative offices.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Library's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money use of which 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.

Twinsburg Public Library
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For the Years Ended December 31, 2005 and 2004
Unaudited

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, cash receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and the related cash revenues (such as accounts receivable) and certain liabilities and the 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 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 activity. Program receipts include customer fines and fees 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, think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and LLGSF.

In the statement of net assets and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and the LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Reporting the Library's Most Significant Funds

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

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

The Library as a Whole

Since this is the first year the Library has prepared statements following GASB Statement No. 34, comparisons to 2003 are not available. The Statement of Net Assets provides the perspective of the Library as a whole.

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

Table 1
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 246,422	\$ 297,093
Investments	624,643	418,566
Total Assets	\$ 871,065	\$ 715,659
Net Assets		
Restricted for:		
Debt Service	\$ 130,198	\$ 131,069
Capital Outlay	278,773	216,029
Unrestricted	462,094	368,561
Total Net Assets	\$ 871,065	\$ 715,659

For 2005 and 2004, a portion of the Library's net assets, 46.95 and 48.50 percent, respectively, represents resources that are subject to restrictions on how they may be used. The unrestricted net asset amount is available to meet the ongoing obligations to citizens and creditors.

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

Table 2 shows the changes in net assets for the fiscal years ended December 31, 2005 and 2004. Comparisons to 2003 have not been made since they are not available.

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$80,680	\$77,748
Operating Grants and Contributions	18,700	30,619
Total Program Cash Receipts	<u>99,380</u>	<u>108,367</u>
General Cash Receipts:		
Property and Other Local Taxes	770,739	744,145
Unrestricted Gifts and Donations:	405	321
Grants and Entitlements Not Restricted to Specific Programs	1,429,938	1,307,783
Interest	28,547	9,371
Miscellaneous	3,573	4,874
Total General Cash Receipts	<u>2,233,202</u>	<u>2,066,494</u>
Total Cash Receipts	<u>2,332,582</u>	<u>2,174,861</u>
Cash Disbursements:		
Library Services:		
Public Service and Programs	934,647	926,585
Collection Development and Processing	656,584	602,108
Support Services:		
Facilities Operation and Management	122,739	125,768
Business Administration	238,768	227,546
Capital Outlay	97,953	424,223
Principal Retirement	90,000	86,000
Interest and Fiscal Charges	35,569	39,241
Financing Fees and Costs	916	1,011
Total Cash Disbursements	<u>2,177,176</u>	<u>2,432,482</u>
Increase/Decrease in Net Assets	155,406	(257,621)
Net Assets, January 1	<u>715,659</u>	<u>973,280</u>
Net Assets, December 31	<u>\$871,065</u>	<u>\$715,659</u>

For 2005 and 2004, program cash receipts represent only 4.26 and 4.98 percent, respectively, of total cash receipts and are primarily comprised of customer fines and fees, and restricted contributions and donations.

For 2005, general cash receipts represent 95.74 percent of the Library's total cash receipts, and of this amount, 34.51 percent are local taxes. State grants and entitlements make up another 61.30 percent of the Library's total cash receipts. Other cash receipts are immaterial and unpredictable revenue sources.

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For 2004, general cash receipts represent 95.02 percent of the Library's total cash receipts, and of this amount, 36.01 percent are local taxes. State grants and entitlements make up another 60.13 percent of the Library's total cash receipts. Other cash receipts are immaterial and unpredictable revenue sources.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, and business administration represent the costs of running the Library.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 17, 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. For 2005 and 2004, the major program disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Business Administration, Capital Outlay and Debt Service which account for 42.93 and 38.09 percent, 30.16 and 24.75 percent, 5.64 and 5.17 percent, 10.96 and 9.36 percent, 4.50 and 17.44 percent, and 5.81 and 5.19 percent of all Library disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific 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 the state of Ohio and 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. Comparisons to 2003 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
Library Services:		
Public Service and Programs	\$ 934,647	\$ (836,501)
Collection Development and Processing	656,584	(655,669)
Support Services:		
Facilities Operation and Maintenance	122,739	(122,739)
Business Administration	238,768	(238,768)
Capital Outlay	97,953	(97,634)
Principal Retirement	90,000	(90,000)
Interest and Fiscal Charges	36,485	(36,485)
Total Cash Disbursements	<u>\$ 2,177,176</u>	<u>\$ (2,077,796)</u>

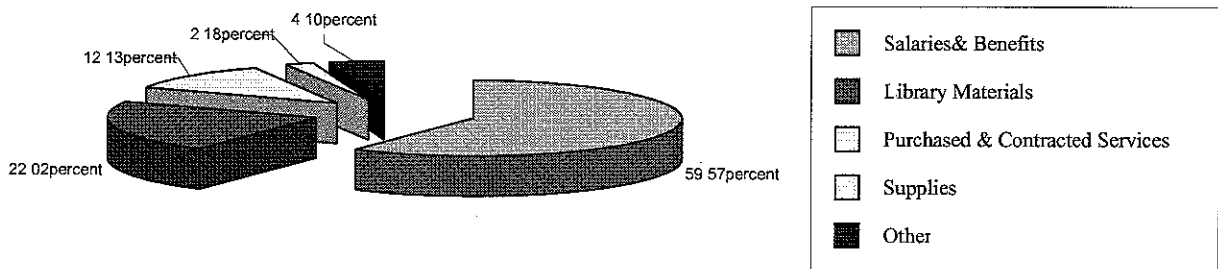
Twinsburg Public Library
 Management's Discussion and Analysis
 For the Years Ended December 31, 2005 and 2004
 Unaudited

Table 3 (continued)
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Library Services:		
Public Service and Programs	\$ 926,585	\$ (846,293)
Collection Development and Processing	602,108	(602,108)
Support Services:		
Facilities Operation and Maintenance	125,768	(125,768)
Business Administration	227,546	(227,546)
Capital Outlay	424,223	(396,148)
Principal Retirement	86,000	(86,000)
Interest and Fiscal Charges	40,252	(40,252)
Total Cash Disbursements	\$ 2,432,482	\$ (2,324,115)

The Library's Funds

For 2005, governmental funds had total cash receipts of \$2,332,582 and total cash disbursements of \$2,177,176. The fund balance of the General Fund increased \$93,533 as the result of prudent business management. As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and fringe benefits. The Library is a service entity and as such is labor intensive.



For 2004, governmental funds had total cash receipts of \$2,174,861 and total cash disbursements of \$2,432,482. The fund balance of the General Fund increased \$102,829 as the result of prudent business management. The greatest change within governmental funds occurred within the Capital Projects Fund. The fund balance of the Capital Projects Fund decreased \$363,109 as the result of expenditures related to the completion of the Library renovation and expansion project that was completed in 2004.

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Expenditures by Object:				
Salaries & Benefits	\$ 1,208,831	\$1,164,565	\$ 44,266	3.80%
Library Materials	446,782	429,172	17,610	4.10%
Purchased & Contracted Services	246,217	236,593	9,624	4.07%
Supplies	44,193	45,037	(844)	(1.87)%
Other	83,161	35,912	47,249	131.57%
Total	<u>\$ 2,029,184</u>	<u>\$1,911,279</u>	<u>\$117,905</u>	6.17%

In 2005, Fund 110 was set up to account for monies donated to the Library by the Friends of the Twinsburg Public Library. These funds are accounted for within the General Fund.

The Debt Service Fund accounts for monies set aside primarily for the payment of the Ohio Association of School Business Officials (OASBO) note that was secured to fund the 2003 renovation and addition to the Library.

The Capital Projects Fund accounts for resources that are set aside for construction, improvement and repair of capital facilities.

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, cash 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. Final cash disbursements were budgeted at \$2,445,294 while actual cash disbursements were \$2,029,184. Maintaining actual expenditures below projected levels allowed the library to experience an increase in fund balance of \$93,533 for 2005.

During 2004, the Library amended its General Fund budget several times to reflect changing circumstances. Final cash disbursements were budgeted at \$2,265,801 while actual cash disbursements were \$1,911,279. Maintaining actual expenditures below projected levels allowed the library to experience an increase in fund balance of \$102,829 for 2004.

Debt Administration

At December 31, 2005 and 2004, the Library's outstanding debt included \$743,000 and \$833,000, respectively, in general obligation notes obtained for the renovation and addition to the current building. For further information regarding the Library's debt, refer to Note 7 to the basic financial statements.

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 relies heavily on local taxes and LLGSF funding. The uncertain future of the LLGSF continues to be a major challenge facing the Library.

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

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Eileen M. Holloway, Clerk-Treasurer, Twinsburg Public Library, 10050 Ravenna Road, Twinsburg, Ohio 44087.

Twinsburg Public Library, Summit County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 246,422
Investments	<u>624,643</u>
<i>Total Assets</i>	<u><u>\$ 871,065</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 278,773
Debt Service	130,198
Unrestricted	<u>462,094</u>
<i>Total Net Assets</i>	<u><u>\$ 871,065</u></u>

See accompanying notes to the basic financial statements.

Twinsburg Public Library, Summit County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 934,647	\$ 80,680	\$ 17,466	\$ (836,501)
Collection Development and Processing	656,584	-	915	(655,669)
Support Services:				
Facilities Operation and Maintenance	122,739	-	-	(122,739)
Business Administration	238,768	-	-	(238,768)
Capital Outlay	97,953	-	319	(97,634)
Debt Service:				
Principal Retirement	90,000	-	-	(90,000)
Interest and Fiscal Charges	35,569	-	-	(35,569)
Financing Fees and Costs	916	-	-	(916)
Total Governmental Activities	\$ 2,177,176	\$ 80,680	\$ 18,700	(2,077,796)
General Receipts				
				770,739
Property Taxes Levied for General Purposes				405
Unrestricted Gifts and Contributions				1,429,938
Grants and Entitlements not Restricted to Specific Programs				28,547
Interest				3,573
Miscellaneous				
Total General Receipts				2,233,202
Change in Net Assets				155,406
Net Assets Beginning of Year				715,659
Net Assets End of Year				\$ 871,065

See accompanying notes to the basic financial statements.

Twinsburg Public Library, Summit County
Statement of Modified Cash Basis Assets and Fund Balance
Governmental Funds
December 31, 2005

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 246,422	\$ -	\$ -	\$ 246,422
Investments	215,672	278,773	130,198	624,643
<i>Total Assets</i>	<u>\$ 462,094</u>	<u>\$ 278,773</u>	<u>\$ 130,198</u>	<u>\$ 871,065</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 63,882	\$ 5,500	\$ -	\$ 69,382
Unreserved:				
General Fund	398,212	-	-	398,212
Debt Service	-	-	130,198	130,198
Capital Project Funds	-	273,273	-	273,273
<i>Total Fund Balances</i>	<u>\$ 462,094</u>	<u>\$ 278,773</u>	<u>\$ 130,198</u>	<u>\$ 871,065</u>

See accompanying notes to the basic financial statements.

Twinsburg 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 & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 770,739	\$ -	\$ -	\$ 770,739
Intergovernmental	1,429,938	-	-	1,429,938
Patron Fines and Fees	80,680	-	-	80,680
Contributions, Gifts and Donations	19,105	-	-	19,105
Earnings on Investments	18,682	6,576	3,289	28,547
Miscellaneous	3,573	-	-	3,573
<i>Total Receipts</i>	<u>2,322,717</u>	<u>6,576</u>	<u>3,289</u>	<u>2,332,582</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	934,647	-	-	934,647
Collection Development and Processing	656,584	-	-	656,584
Support Services:				
Facilities Operation and Maintenance	122,739	-	-	122,739
Business Administration	238,768	-	-	238,768
Capital Outlay	76,446	18,832	2,675	97,953
Debt Service:				
Principal Retirement	-	-	90,000	90,000
Interest and Fiscal Charges	-	-	35,569	35,569
Financing Fees and Costs	-	-	916	916
<i>Total Disbursements</i>	<u>2,029,184</u>	<u>18,832</u>	<u>129,160</u>	<u>2,177,176</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>293,533</u>	<u>(12,256)</u>	<u>(125,871)</u>	<u>155,406</u>
Other Financing Sources (Uses)				
Transfers In	-	75,000	125,000	200,000
Transfers Out	(200,000)	-	-	(200,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>75,000</u>	<u>125,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	93,533	62,744	(871)	155,406
<i>Fund Balances Beginning of Year</i>	<u>368,561</u>	<u>216,029</u>	<u>131,069</u>	<u>715,659</u>
<i>Fund Balances End of Year</i>	<u>\$ 462,094</u>	<u>\$ 278,773</u>	<u>\$ 130,198</u>	<u>\$ 871,065</u>

See accompanying notes to the basic financial statements.

Twinsburg 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 752,968	\$ 752,968	\$ 770,739	\$ 17,771
Intergovernmental	1,485,618	1,436,065	1,429,938	(6,127)
Patron Fines and Fees	66,000	66,000	80,680	14,680
Contributions, Gifts and Donations	-	18,700	19,105	405
Earnings on Investments	3,000	3,000	18,682	15,682
Miscellaneous	-	-	3,573	3,573
<i>Total receipts</i>	<u>2,307,586</u>	<u>2,276,733</u>	<u>2,322,717</u>	<u>45,984</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,086,716	1,014,144	934,647	79,497
Collection Development and Processing	768,943	768,337	656,584	111,753
Support Services:				
Facilities Operation and Maintenance	131,893	141,486	122,739	18,747
Business Administration	358,587	390,319	238,768	151,551
Capital Outlay	130,008	131,008	76,446	54,562
<i>Total Disbursements</i>	<u>2,476,147</u>	<u>2,445,294</u>	<u>2,029,184</u>	<u>416,110</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(168,561)</u>	<u>(168,561)</u>	<u>293,533</u>	<u>462,094</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(200,000)	(200,000)	(200,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(368,561)</u>	<u>(368,561)</u>	<u>93,533</u>	<u>462,094</u>
<i>Fund Balance Beginning of Year</i>	<u>368,561</u>	<u>368,561</u>	<u>368,561</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,094</u>	<u>\$ 462,094</u>

See accompanying notes to the basic financial statements

Twinsburg Public Library, Summit County
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 297,093
Investments	<u>418,566</u>
<i>Total Assets</i>	<u><u>\$ 715,659</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 216,029
Debt Service	131,069
Unrestricted	<u>368,561</u>
<i>Total Net Assets</i>	<u><u>\$ 715,659</u></u>

See accompanying notes to the basic financial statements.

Iwinsburg Public Library, Summit County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$ 926,585	\$ 77,748	\$ 2,544	\$ (846,293)
Collection Development and Processing	602,108	-	-	(602,108)
Support Services:				
Facilities Operation and Maintenance	125,768	-	-	(125,768)
Business Administration	227,546	-	-	(227,546)
Capital Outlay	424,223	-	28,075	(396,148)
Debt Service:				
Principal Retirement	86,000	-	-	(86,000)
Interest and Fiscal Charges	39,241	-	-	(39,241)
Financing Fees and Costs	1,011	-	-	(1,011)
Total Governmental Activities	\$ 2,432,482	\$ 77,748	\$ 30,619	(2,324,115)

General Receipts

Property Taxes Levied for General Purposes	744,145
Unrestricted Gifts and Contributions	321
Grants and Entitlements not Restricted to Specific Programs	1,307,783
Interest	9,371
Miscellaneous	4,874

Total General Receipts 2,066,494

Change in Net Assets (257,621)

Net Assets Beginning of Year 973,280

Net Assets End of Year \$ 715,659

See accompanying notes to the basic financial statements.

Twinsburg Public Library, Summit County
Statement of Modified Cash Basis Assets and Fund Balance
Governmental Funds
December 31, 2004

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 297,093	\$ -	\$ -	\$ 297,093
Investments	71,468	216,029	131,069	418,566
<i>Total Assets</i>	<u>\$ 368,561</u>	<u>\$ 216,029</u>	<u>\$ 131,069</u>	<u>\$ 715,659</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 81,688	\$ 2,080	\$ -	\$ 83,768
Unreserved:				
General Fund	286,873	-	-	286,873
Debt Service	-	-	131,069	131,069
Capital Project Funds	-	213,949	-	213,949
<i>Total Fund Balances</i>	<u>\$ 368,561</u>	<u>\$ 216,029</u>	<u>\$ 131,069</u>	<u>\$ 715,659</u>

See accompanying notes to the basic financial statements.

Twinsburg 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 & Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 744,145	\$ -	\$ -	\$ 744,145
Intergovernmental	1,307,783	-	-	1,307,783
Patron Fines and Fees	77,748	-	-	77,748
Contributions, Gifts and Donations	2,865	28,075	-	30,940
Earnings on Investments	4,193	3,027	2,151	9,371
Miscellaneous	4,874	-	-	4,874
<i>Total Receipts</i>	<u>2,141,608</u>	<u>31,102</u>	<u>2,151</u>	<u>2,174,861</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	926,585	-	-	926,585
Collection Development and Processing	602,108	-	-	602,108
Support Services:				
Facilities Operation and Maintenance	125,768	-	-	125,768
Business Administration	227,546	-	-	227,546
Capital Outlay	29,272	311,118	83,833	424,223
Debt Service:				
Principal Retirement	-	-	86,000	86,000
Interest and Fiscal Charges	-	-	39,241	39,241
Financing Fees and Costs	-	-	1,011	1,011
<i>Total Disbursements</i>	<u>1,911,279</u>	<u>311,118</u>	<u>210,085</u>	<u>2,432,482</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>230,329</u>	<u>(280,016)</u>	<u>(207,934)</u>	<u>(257,621)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	127,500	127,500
Transfers Out	(127,500)	-	-	(127,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(127,500)</u>	<u>-</u>	<u>127,500</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	102,829	(280,016)	(80,434)	(257,621)
<i>Fund Balances Beginning of Year</i>	<u>265,732</u>	<u>496,045</u>	<u>211,503</u>	<u>973,280</u>
<i>Fund Balances End of Year</i>	<u>\$ 368,561</u>	<u>\$ 216,029</u>	<u>\$ 131,069</u>	<u>\$ 715,659</u>

See accompanying notes to the basic financial statements

Twinsburg 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 Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 748,549	\$ 748,549	\$ 744,145	\$ (4,404)
Intergovernmental	1,312,061	1,312,061	1,307,783	(4,278)
Patron Fines and Fees	66,000	66,000	77,748	11,748
Contributions, Gifts and Donations	-	2,459	2,865	406
Earnings on Investments	-	-	4,193	4,193
Miscellaneous	-	1,000	4,874	3,874
<i>Total receipts</i>	<u>2,126,610</u>	<u>2,130,069</u>	<u>2,141,608</u>	<u>11,539</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	970,478	947,933	926,585	21,348
Collection Development and Processing	713,564	729,904	602,108	127,796
Support Services:				
Facilities Operation and Maintenance	149,196	161,901	125,768	36,133
Business Administration	390,171	386,410	227,546	158,864
Capital Outlay	38,933	39,653	29,272	10,381
<i>Total Disbursements</i>	<u>2,262,342</u>	<u>2,265,801</u>	<u>1,911,279</u>	<u>354,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(135,732)</u>	<u>(135,732)</u>	<u>230,329</u>	<u>366,061</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(130,000)	(130,000)	(127,500)	2,500
<i>Total Other Financing Sources (Uses)</i>	<u>(130,000)</u>	<u>(130,000)</u>	<u>(127,500)</u>	<u>2,500</u>
<i>Net Change in Fund Balance</i>	<u>(265,732)</u>	<u>(265,732)</u>	<u>102,829</u>	<u>368,561</u>
<i>Fund Balance Beginning of Year</i>	<u>265,732</u>	<u>265,732</u>	<u>265,732</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,561</u>	<u>\$ 368,561</u>

See accompanying notes to the basic financial statements.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Entity

Twinsburg Public Library, Summit County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Twinsburg City School District Board of Education. The Library provides the community with various educational and literary resources.

The Library's service district encompasses the Twinsburg City School District, which includes the City of Twinsburg, Twinsburg Township and the Village of Reminderville

The Library provides a base level of service to the school district. The electorate of the school district has chosen to levy additional taxes pursuant to Section 5705 19, Revised Code, in order to receive enhanced service for its residents.

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 Twinsburg Public Library Foundation, Inc. (the Foundation) is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Foundation is organized exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and to operate exclusively for the benefit of the Twinsburg Public Library and to further the Library's charitable purposes. A Board of Trustees consisting of eleven (11) interested persons residing in the State of Ohio manages the Foundation's affairs. As of 2005 and 2004 no Library Trustees or employees serve on the Foundation's Board.

The Foundation meets the criteria regarding component units stated in the last sentence of paragraph four of Note 1 in the Notes to the Basic Financial Statements. According to Auditor of State Bulletin 2004-001, public libraries that issue financial statements using the modified cash basis of accounting need not incorporate affiliated organizations within their government. Therefore, the Library is not required to and has not included the Foundation within the reporting entity of the Library. *(The Foundation had a balance at the end of 2005 and 2004 that was approximately 6% of the Library's revenue accounts)*

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

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Twinsburg 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 and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library.

The statement of net assets presents the financial condition of the government activities of the Library at December 31, 2005 and 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Library.

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the calendar year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds Governmental Funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which the monies may or must be used. The following are the Library's major governmental funds:

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Debt Service Fund - The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Debt Service Fund was used primarily for the payment of the principal and interest on the OASBO note.

Capital Project Funds - These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Funds:

Building and Repair Fund - This fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technological improvements, additions, and renovations of the Library.

Construction Fund - This fund received money from the OASBO note and was used for the construction and furnishing of the addition and renovation of the Library.

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 the related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and the related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

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 a sweep account and STAR Ohio. The Library's sweep account investment was recorded at amounts reported by Fifth Third Bank. Investments at Charter One Bank are in a Checking with Interest Account.

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.

F. Restricted Assets

Assets are reported as restricted when there are limitations imposed on its use through external restriction imposed by creditors, grantors or laws or regulations of other governments.

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.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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 - Deposits and Investments

At December 31, 2005 and 2004, the Library had \$300 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents"

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments* (Including Repurchase Agreements).

At December 31, 2005 and 2004, the carrying amount of the Library's deposits were \$870,765 and \$715,359, respectively, and the bank balances were \$913,050 and \$753,022, respectively. Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 3 - Deposits and Investments (continued)

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. The money market mutual fund and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Years Ended December 31			
	2005		2004	
	Category 3	Carrying Value	Category 3	Carrying Value
Money market funds	\$ 265,505	\$ 265,505	\$ 211,262	\$ 211,262
STAR Ohio	359,138	359,138	207,304	207,304
Total Investments	\$ 624,643	\$ 624,643	\$ 418,566	\$ 418,566

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 3 - Deposits and Investments (continued)

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.

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

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

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 Library or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Note 4 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005 and 2004, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>
Roseberry Insurance (broker) Nationwide Insurance Co	Commercial Property General Liability Commercial Crime Inland Marine Employee Benefit Insurance
Western Surety Company France and Associates	Surety Bonds Errors and Omissions

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

The Library pays the State Workers' Compensation System (the System) a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 - Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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 years 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 were 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Note 6 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 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 0.50 percent and 6.30 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.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 - Postemployment Benefits (continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25.00 percent of unrealized market appreciation or depreciation on investment assets annually.

The numbers of active contributing participants in the traditional and combined plans were 376,109 and 355,287 as of December 31, 2005 and 2004, respectively. Actual employer contributions for 2005 and 2004, which were used to fund postemployment benefits, were \$119,462 and \$124,037, respectively. 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. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 7 - Notes Payable

Debt outstanding at December 31, 2005 and 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OASBO Note, 2004	\$833,000	4.27%
OASBO Note, 2005	\$743,000	4.27%

In order to provide financing for an expansion and renovation of the existing Library the Board of Trustees secured a note from the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program for \$1,000,000 in December 2002. Pursuant to Section 3375.40 of the Ohio Revised Code the notes were issued based on anticipation of the Library and Local Government Service Fund monies.

Principal and interest requirements to retire the general obligation note outstanding at December 31, 2005, are as follows:

SCHEDULE OF DEBT SERVICE TO MATURITY

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 93,000	\$ 31,726	\$124,726
2007	97,000	27,755	124,755
2008	102,000	23,613	125,613
2009	106,000	19,258	125,258
2010 to 2012	345,000	29,890	374,890
Total	\$743,000	\$132,242	\$875,242

Note 8 - Lease Agreement

The Library leases a copier under a three year operating lease agreement. Monthly payments of \$152 began February 2004 and continue through January 2007.

Twinsburg Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 8 – Lease Agreement (continued)

Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$1,824
2007	152
Total	<u>\$1,976</u>

Total lease expenses for 2005 and 2004 were \$1,824 and \$1,672, respectively.

Note 9 – Library and Local Government Support

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State's personal income tax. Currently the LLGSF is funded with 5.70 percent of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

SUPPLEMENTAL DATA



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

Board of Trustees
Twinsburg Public Library
Summit County
10050 Ravenna Road
Twinsburg, Ohio 44087

We have audited the financial statements of the governmental activities and each major fund of the Twinsburg Public Library, Summit County, Ohio (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 5, 2006, wherein we noted the Library prepared its financial statements comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audits 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 Control Over Financial Reporting

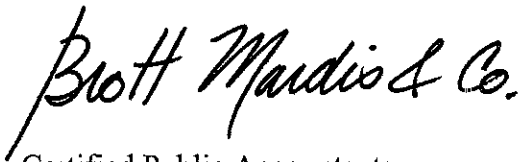
In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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 and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Library's management in a separate letter dated June 5, 2006.

This report is intended solely 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.

A handwritten signature in cursive script that reads "Broth Mardis & Co.".

Certified Public Accountants
June 5, 2006



**Auditor of State
Betty Montgomery**

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TWINSBURG 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
SEPTEMBER 19, 2006**