



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

February 21, 2007

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

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**LISBON LEPPER LIBRARY ASSOCIATION  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lisbon Lepper Library Association  
Columbiana County  
303 East Lincoln Way  
Lisbon, Ohio 44432

To the Board of Trustees

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

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the remaining fund information of Lisbon Lepper Library Association, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

December 29, 2006



**Lisbon Lepper Library Association  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

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

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$158,273, or 9%.
- The Library's general receipts are primarily from the State Library and Local Government Support Fund (LLGSF). These receipts represent 91% of the total cash received for governmental activities during the year.

**Using the Basic Financial Statements**

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

**Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end.

**Lisbon Lepper Library Association  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

The statement of activities compares cash disbursements with program receipts for the governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how the governmental function activity draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the governmental activities report most of the Library's basic services. The State LLGSF finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Government'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 categorized as 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 its nonmajor fund (funds whose activity or balances are not large enough to warrant separate reporting) is presented in a single column. The Library's two 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.

**The Library as a Whole**

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

(Table 1)	
<b>Net Assets</b>	
	<u>Governmental Activities 2005</u>
<b>Assets</b>	
Cash and Cash Equivalents	1,947,691
<b>Net Assets</b>	
Restricted for:	
Building and Repairs	1,218,249
Nonexpendable	16,000
Unrestricted	<u>713,442</u>
Total Net Assets	<u>\$1,947,691</u>

**Lisbon Lepper Library Association  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

As mentioned previously, net assets of governmental activities increased \$158,273 or 9% during 2005. A portion of the Library's net assets (63%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net asset amount is available to meet the ongoing obligations to citizens and creditors. The primary reason contributing to the increase in cash balances was the interest earnings from the Library's certificates of deposit held with Home Savings and Loan.

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

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

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$25,234
General Receipts:	
Unrestricted Gifts and Contributions	250
Grants and Entitlements Not Restricted to Specific Programs	622,782
Interest	34,528
Miscellaneous	3,966
Total General Receipts	661,526
Total Receipts	686,760
Disbursements:	
Library Services	528,487
Excess (Deficiency) Before Transfers	158,273
Transfers	
Increase (Decrease) in Net Assets	158,273
Net Assets, January 1, 2005	1,789,418
Net Assets, December 31, 2005	\$1,947,691

Program receipts represent only 4% of total receipts and are primarily comprised of patron fines and fees.

General receipts represent 96% of the Library's total receipts, and of this amount, over 94% are unrestricted state entitlements (LLGSF). Other receipts are relatively insignificant and from somewhat unpredictable revenue sources.

Disbursements for Library Services represent the costs such as payroll and purchasing.

**Governmental Activities**

If you look at the Statement of Activities on page 8, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services, which account for 100% 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 taxpayers through the State LLGSF.

**Lisbon Lepper Library Association  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited**

These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services	\$528,487	\$503,253

The Library's dependence upon State LLGSF is apparent as over 95% of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$686,760 and disbursements of \$528,487. The change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$158,273 as the result of increased interest earnings and lower costs for purchased and contracted services.

**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. We rely heavily on the State LLGSF. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library. We have no planned increases in staff or wages and or other disbursements of the Library's general disbursements.

**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 Carol Kelly, Clerk-Treasurer, Lisbon Lepper Library Association, 303 East Lincoln Way, Lisbon, Ohio 44432.

**LISBON LEPPER LIBRARY ASSOCIATION, COLUMBIANA COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,947,691</u>
<b>Net Assets</b>	
Restricted for:	
Building and Repairs	1,218,249
Nonexpendable	16,000
Unrestricted	713,442
<i>Total Net Assets</i>	<u><u>\$1,947,691</u></u>

See accompanying notes to the basic financial statements

**LISBON LEPPER LIBRARY ASSOCIATION, COLUMBIANA COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts	Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Library Services	\$ 528,487	\$ 25,234		\$ (503,253)
<i>Total Governmental Activities</i>	\$ 528,487	\$ 25,234		\$ (503,253)
<b>General Receipts</b>				
Unrestricted Gifts and Contributions				\$ 250
Grants and Entitlements not Restricted to Specific Programs				622,782
Earnings on Investments				34,528
Miscellaneous				3,966
<i>Total General Receipts</i>				661,526
Change in Net Assets				158,273
<i>Net Assets Beginning of Year</i>				1,789,418
<i>Net Assets End of Year</i>				\$ 1,947,691

See accompanying notes to the basic financial statements

**LISBON LEPPER LIBRARY ASSOCIATION, COLUMBIANA COUNTY**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2005*

	GENERAL FUND	BUILDING and REPAIR FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$713,442	\$1,218,249	\$16,000	\$1,947,691
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	3,677			3,677
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	709,765			709,765
Building and Repair Fund		1,218,249		1,218,249
Permanent Fund			16,000	16,000
<i>Total Fund Balances</i>	<u>\$713,442</u>	<u>\$1,218,249</u>	<u>\$16,000</u>	<u>\$1,947,691</u>

See accompanying notes to the basic financial statements

**LISBON LEPPER LIBRARY ASSOCIATION, COLUMBIANA COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
**Governmental Funds**  
*For the Year Ended December 31, 2005*

	GENERAL FUND	BUILDING and REPAIR FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>				
Library and Local Government Support	\$ 622,782			\$ 622,782
Patron, Fines and Fees	7,322			7,322
Contributions, Gifts and Donations	18,162			18,162
Earnings on Investments	34,528			34,528
Miscellaneous	3,966			3,966
<b>Total Receipts</b>	<b>686,760</b>			<b>686,760</b>
<b>Disbursements</b>				
Current:				
Library Services	528,487			528,487
<b>Total Disbursements</b>	<b>528,487</b>			<b>528,487</b>
Excess of Receipts Over (Under) Disbursements	158,273			158,273
Net Change in Fund Balances	158,273	-	-	158,273
Fund Balances Beginning of Year	555,169	1,218,249	16,000	1,789,418
Fund Balances End of Year	<u>\$713,442</u>	<u>\$1,218,249</u>	<u>\$16,000</u>	<u>\$1,947,691</u>

See accompanying notes to the basic financial statements



**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*

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

Under Ohio statutes, the Lisbon Lepper Library Association, Columbiana County (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 is directed by an eight-member Board of Trustees appointed by Friends of the Lisbon Lepper Library. Control and management of the Library is governed by its by-laws 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.

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

The Library is a full voting member with Northeast Ohio Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." This organization is presented in Note 9.

The Friends of the Lisbon Lepper Library, Inc. 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 Friends of the Lisbon Lepper Library was inactive in 2005 and made no contributions to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

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

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

**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*  
(Continued)

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**Note 2 - Summary of Significant Accounting Policies** (Continued)

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 primary government, which generally are financed through library and local government support.

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fiduciary Fund

The fiduciary fund includes a private purpose trust fund. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. The Library's private purpose trust fund accounts for programs that purchase new books for the use of patrons.

**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

C. Basis of Accounting

The Library's financial statements are prepared using the 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 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 liabilities and the related expense) are not recorded in these financial statements.

D. 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, investments were limited to nonnegotiable certificates of deposit. These investments are recorded at cost.

Interest receipt credited to the general fund during 2005 amounted to \$34,528.

E. 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. Restricted assets represent \$1,218,249 from the Capital Projects Fund and \$16,000 from the Nonexpendable Trust Fund.

F. 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.

G. 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.

**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

H. 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 cash basis of accounting.

I. 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.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the Building and Repair Fund of \$1,218,249 and the Nonexpendable Trust Fund of \$16,000.

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

K. Fund Balance Reserves

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

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

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the 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**

All funds of the Library shall be deposited from time to time to the credit of the Library in such banks, trust companies, or other depositories as the Board of Trustees may select.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,809,973 of the Library's bank balances of \$1,945,724 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.

**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*  
(Continued)

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**Note 5 - 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, the Library contracted with Sanor Insurance Agency, Inc. for coverage including comprehensive property and general liability, vehicles and 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 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.

**Note 6 - 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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional plan for the year ended December 31, 2005 was \$34,666; the full amount has been contributed for 2005.

**Note 7 - 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 benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

**Lisbon Lepper Library Association**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2005*  
(Continued)

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**Note 7 - Postemployment Benefits** (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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 Library contributions for 2005 which were used to fund postemployment benefits were \$14,520. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$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. 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 8 – Jointly Governed Organizations**

The Library is a full voting member with the Northeast Ohio Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." NEO-RLS is a multi-type library consortium assisting member libraries to better meet the needs of their customers by creating opportunities to accomplish services and programs beyond individual capabilities and resources. NEO-RLS facilitates the work of member libraries through membership-driven services, professional development and responsible fiscal management.



## Auditor of State Betty Montgomery

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

Lisbon Lepper Library Association  
Columbiana County  
303 East Lincoln Way  
Lisbon, Ohio 44432

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the Lisbon Lepper Library Association, Columbiana County, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 29, 2006 wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated December 29, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

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

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

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

**Betty Montgomery**  
Auditor of State

December 29, 2006





Mary Taylor, CPA  
Auditor of State

**LISBON LEPPER LIBRARY ASSOCIATION  
COLUMBIANA 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  
FEBRUARY 27, 2007**