



Mary Taylor, CPA  
Auditor of State



**NELSONVILLE PUBLIC LIBRARY  
ATHENS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Nelsonville Public Library  
Athens County  
95 West Washington Street  
Nelsonville, Ohio 45764

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nelsonville Public Library, Athens County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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 modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and each major fund of the Nelsonville Public Library, Athens County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and Grant Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 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 August 6, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 6, 2007

**Nelsonville Public Library  
Athens County, Ohio**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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This discussion and analysis of the Nelsonville Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2006 and 2005 are as follows:

- The Library's general receipts are primarily intergovernmental revenue derived from income taxes. These receipts represent 98 percent of the total cash received for governmental activities during the year 2006 and 89 percent of the total cash received for governmental activities for the year 2005. Intergovernmental receipts for 2006 did not change from 2005 as income tax funding from the State continued to be "frozen" by the Legislature.
- The Library carried forward into 2007 a larger than usual balance of \$343,889. This was partially due to staff turnover (higher paid employees being replaced by less expensive employees), fewer than expected repairs to aging facilities, scaled-back collection development purchases, and fewer than expected computer replacements.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**Nelsonville Public Library  
Athens County, Ohio**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, 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 yearend. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

The Statement of Net Assets and the Statement of Activities present the one type of activity of the Library:

Governmental activities: The Library's basic services are reported here. Intergovernmental receipts, donations, charges for services, and state and federal grants finance most of these activities. Benefits provided through these governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds. The Library establishes separate funds to better manage its many activities and to help demonstrate/ensure that restricted funds are spent in accordance with their intended purpose. All of the Library's funds are governmental funds.

Governmental Funds: All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's governmental funds are presented on the financial statements in separate columns. The Library's three governmental funds are the General Fund, the Grant Fund and the Permanent Improvement Fund. The programs reported in governmental funds are directly related to those reported in the governmental activities section of the entity-wide statements.



**Nelsonville Public Library  
Athens County, Ohio**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)  
**Net Assets**

|                           | <b>Governmental Activities</b> |            |
|---------------------------|--------------------------------|------------|
|                           | 2006                           | 2005       |
| <b>Assets</b>             |                                |            |
| Cash and Cash Equivalents | \$ 343,889                     | \$ 228,482 |
| Total Assets              | \$ 343,889                     | \$ 228,482 |
| <b>Net Assets</b>         |                                |            |
| Restricted for:           |                                |            |
| Capital Projects          | \$ 23,373                      | \$ 31,913  |
| Unrestricted              | 320,516                        | 196,569    |
| Total Net Assets          | \$ 343,889                     | \$ 228,482 |

Net assets of governmental activities increased \$115,407 or 50 percent in 2006 from 2005. The decrease in Restricted for Capital Projects reflects the 2<sup>nd</sup> and 3<sup>rd</sup> phase of the Athens Library Expansion Project, which drew slightly from the balance in the Permanent Improvement Fund.

Since the Library prepared 2004 and prior data in the regulatory cash basis of accounting, a comparative analysis of government-wide data has not been presented for that period.

**Nelsonville Public Library  
Athens County, Ohio**

Management's Discussion and Analysis  
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(Unaudited)

Table 2 reflects the changes in net assets in 2006 and 2005.

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

|   | <b>Governmental Activities</b> |                |
|---|--------------------------------|----------------|
|   | 2006                           | 2005           |
| <b>Receipts</b>   |                                |                |
| <i>Program Receipts</i>                                       |                                |                |
| Charges for Services and Sales                                | \$ 35,104                      | \$ 38,628      |
| Operating Grants and Contributions                            | 3,000                          | 2,975          |
| Capital Grants and Contributions                              | 1,000                          | 201,000        |
| <i>Total Program Receipts</i>                                 | 39,104                         | 242,603        |
| <br><i>General Receipts</i>                                   |                                |                |
| Grants and Entitlements - Not restricted to Specific Programs | 2,208,956                      | 2,208,956      |
| Interest  | 2,185                          | 6,117          |
| Miscellaneous   | 15,328                         | 12,748         |
| <i>Total General Receipts</i>                                 | 2,226,469                      | 2,227,821      |
| <br><b>Total Receipts</b>                                     | <br>2,265,573                  | <br>2,470,424  |
| <br><b>Disbursements</b>                                      |                                |                |
| Library Services  | 1,743,279                      | 1,733,075      |
| Support Services  | 327,899                        | 283,331        |
| Capital Outlay  | 78,988                         | 1,052,581      |
| <b>Total Disbursements</b>                                    | 2,150,166                      | 3,068,987      |
| <br><b>Excess (Deficiency) Before Transfers</b>               | <br>115,407                    | <br>(598,563)  |
| <br>Net Assets at January 1                                   | <br>228,482                    | <br>827,045    |
| <br>Net Assets at December 31                                 | <br>\$ 343,889                 | <br>\$ 228,482 |

Program receipts for 2005 represent only 9.8 percent of the total receipts. Program receipts for 2006 represent only 1.7 percent of total receipts. Program revenues are primarily comprised of restricted grants, donations, and library user fees.

General receipts for 2005 represent 90.2 of the Library's total receipts. General receipts for 2006 represent 98.3 percent of the Library's total receipts. Of this amount, over 99 percent are unrestricted governmental grants-in-aid (from the Library and Local Government Support Fund). Other receipts are very insignificant and from somewhat unpredictable revenue sources.

Disbursements represent the overhead costs of running the Library and the support services provided for the other Library activities. These support services include the costs of internal services such as administration of payroll and purchasing.

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Management's Discussion and Analysis  
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Since these costs do not represent direct services to residents, we try to limit these costs to 15% or less of General Fund unrestricted receipts. The dependence upon income tax receipts (through the Library and Local Government Support Fund) and other unrestricted receipts is apparent as over 98 percent of governmental activities are supported through these general receipts.

**Governmental Activities**

The Statement of Activities lists the major services provided by the Library and identifies the costs of providing these services. The major program disbursements for governmental activities are for Library Services, which account for 81 percent and 56% of all governmental disbursements, in 2005 and 2006 respectively. Capital Outlay also represented a significant cost in 2005, about 34 percent.

The Net Receipts (Disbursement) amount represents the cost of the service which is paid from general receipts 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<br>of Services<br><u>2006</u> | Net Cost<br>of Services<br><u>2006</u> | Total Cost<br>of Services<br><u>2005</u> | Net Cost<br>of Services<br><u>2005</u> |
|---------------------------------------|--|--|--|--|
| <b>Program Disbursements</b>          |  |  |  |  |
| Library Services:                     |  |  |  |  |
| Public Service and Programs           | \$ 1,469,641                             | \$ 1,434,537                           | \$ 1,469,166                             | \$ 1,430,538                           |
| Collection Development and Processing | 273,638                                  | 270,638                                | 263,909                                  | 260,934                                |
| Support Services:                     |  |  |  |  |
| Facilities Operation and Maintenance  | 140,456                                  | 140,456                                | 123,648                                  | 123,648                                |
| Information Services                  | 34,203                                   | 34,203                                 | 45,651                                   | 45,651                                 |
| Business Administration               | 153,240                                  | 153,240                                | 114,032                                  | 114,032                                |
| Capital Outlay                        | <u>78,988</u>                            | <u>77,988</u>                          | <u>1,052,581</u>                         | <u>851,581</u>                         |
| <b>Total</b>                          | <u><u>\$ 2,150,166</u></u>               | <u><u>\$ 2,111,062</u></u>             | <u><u>\$ 3,068,987</u></u>               | <u><u>\$ 2,826,384</u></u>             |

**The Library's Funds**

Total governmental funds had receipts of \$2,265,573 and disbursements of \$2,150,166 in 2006 and receipts of \$2,470,424 and disbursements of \$3,068,987 in 2005. There was a positive fund balance in 2005 and 2006 indicating that the Library is not in a deficit spending situation. Some of the surplus in the General Fund is typically carried over to cover payroll and other expenses incurred during the first month of the next year. Any remaining surplus may be transferred to the Permanent Improvement Fund to finance future capital outlay.

**General Fund Budgeting Highlights**

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

**Nelsonville Public Library  
Athens County, Ohio**

Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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During 2006 and 2005, the Library amended line items in its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts in 2005 due to unexpected growth in tax receipts. There was no change between original and final budgeted receipts in 2006. The difference between final budgeted receipts and actual receipts was not significant in either year.

Final disbursements for 2005 were budgeted at \$2,221,754 while actual disbursements were \$2,168,234. Final disbursements for 2006 were budgeted at \$2,457,025 while actual disbursements were \$2,140,626. Remaining funds were retained for use in subsequent years.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not currently keep track of the depreciated value of its capital assets and infrastructure. The Library is in the process of implementing a capital asset recording system which is scheduled to be fully functional in 2007. Reductions in staff may delay the implementation.

**Debt**

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

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on Intergovernmental receipts from income taxes which are scheduled for gradual reduction over the next five years. Our three-year plan explores options for dealing with this reduced funding; this plan became effective in January 2006. We reviewed our sources of revenue and determined that increases were unlikely; indeed, decreases in the next state biennial budget seem possible. We then reviewed the disbursement history of the Library. It is clear that the Library must control and even reduce personnel costs, which will almost certainly result in reductions in Library services in the future.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, donors, 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 James Hill, Clerk-Treasurer, Nelsonville Public Library, 95 W. Washington St., Nelsonville, Ohio 45764.

**Nelsonville Public Library**  
**Athens County, Ohio**

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

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 343,889</u>                  |
| <i>Total Assets</i>                        | <u><u>\$ 343,889</u></u>           |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | \$ 23,373                          |
| Unrestricted                               | <u>320,516</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$ 343,889</u></u>           |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

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

|                                       | Cash<br>Disbursements | Program Cash Receipts                |  |  | Net<br>(Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|---------------------------------------|-----------------------|--------------------------------------|--|--|--|
|                                       |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities   |
| <b>Governmental Activities</b>        |                       |                                      |  |  |  |
| Library Services:                     |                       |                                      |  |  |  |
| Public Service and Programs           | \$ 1,469,641          | \$ 35,104                            | \$ 3,000                                 | \$                                     | \$ (1,434,537)   |
| Collection Development and Processing | 273,638               |                                      |  |  | (270,638)  |
| Support Services:                     |                       |                                      |  |  |  |
| Facilities Operation and Maintenance  | 140,456               |                                      |  |  | (140,456)  |
| Information Services                  | 34,203                |                                      |  |  | (34,203)   |
| Business Administration               | 153,240               |                                      |  |  | (153,240)  |
| Capital Outlay                        | 78,988                |                                      |  | 1,000                                  | (77,988)   |
| <b>Total Governmental Activities</b>  | <b>\$ 2,150,166</b>   | <b>\$ 35,104</b>                     | <b>\$ 3,000</b>                          | <b>\$ 1,000</b>                        | <b>(2,111,062)</b>   |
|                                       |                       | <b>General Receipts</b>              |  |  |  |
|                                       |                       |                                      |  |  | 2,448  |
|                                       |                       |                                      |  |  | 2,208,956  |
|                                       |                       |                                      |  |  | 2,185  |
|                                       |                       |                                      |  |  | 12,880   |
|                                       |                       |                                      |  |  | <u>2,226,469</u>   |
|                                       |                       |                                      |  |  | 115,407  |
|                                       |                       |                                      |  |  | <u>228,482</u>   |
|                                       |                       |                                      |  |  | <u>\$ 343,889</u>  |

See accompanying notes to the basic financial statements

**Nelsonville Public Library  
Athens County, Ohio**

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

|  | <u>General</u>    | <u>Grant<br/>Fund</u> | <u>Permanent<br/>Improvement<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------|-----------------------|---|---|
| <b>Assets</b>                              |                   |                       |   |   |
| Equity in Pooled Cash and Cash Equivalents | \$ 317,516        | \$ 3,000              | \$ 23,373                                 | \$ 343,889                              |
| <i>Total Assets</i>                        | <u>\$ 317,516</u> | <u>\$ 3,000</u>       | <u>\$ 23,373</u>                          | <u>\$ 343,889</u>                       |
| <b>Fund Balances</b>                       |                   |                       |   |   |
| Unreserved:                                |                   |                       |   |   |
| Undesignated (Deficit), Reported in:       |                   |                       |   |   |
| General Fund                               | \$ 317,516        | \$                    | \$  | \$ 317,516                              |
| Special Revenue Funds                      |                   | 3,000                 |   | 3,000                                   |
| Capital Projects Funds                     |                   |                       | 23,373                                    | 23,373                                  |
| <i>Total Fund Balances</i>                 | <u>\$ 317,516</u> | <u>\$ 3,000</u>       | <u>\$ 23,373</u>                          | <u>\$ 343,889</u>                       |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

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

|  | General           | Grant<br>Fund   | Permanent<br>Improvement<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|-----------------|----------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                   |                 |                                  |                                |
| Intergovernmental                                    | \$ 2,208,956      | \$              | \$                               | \$ 2,208,956                   |
| Patron Fines and Fees                                | 35,104            |                 |                                  | 35,104                         |
| Contributions, Gifts and Donations                   | 2,448             | 3,000           | 1,000                            | 6,448                          |
| Earnings on Investments                              | 2,185             |                 |                                  | 2,185                          |
| Miscellaneous  | 12,880            |                 |                                  | 12,880                         |
| <i>Total Receipts</i>                                | <u>2,261,573</u>  | <u>3,000</u>    | <u>1,000</u>                     | <u>2,265,573</u>               |
| <b>Disbursements</b>                                 |                   |                 |                                  |                                |
| Current:   |                   |                 |                                  |                                |
| Library Services:                                    |                   |                 |                                  |                                |
| Public Service and Programs                          | 1,469,641         |                 |                                  | 1,469,641                      |
| Collection Development and Processing                | 273,638           |                 |                                  | 273,638                        |
| Support Services:                                    |                   |                 |                                  |                                |
| Facilities Operation and Maintenance                 | 140,456           |                 |                                  | 140,456                        |
| Information Services                                 | 34,203            |                 |                                  | 34,203                         |
| Business Administration                              | 153,240           |                 |                                  | 153,240                        |
| Capital Outlay                                       | 69,448            |                 | 9,540                            | 78,988                         |
| <i>Total Disbursements</i>                           | <u>2,140,626</u>  | <u>0</u>        | <u>9,540</u>                     | <u>2,150,166</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 120,947           | 3,000           | (8,540)                          | 115,407                        |
| <i>Fund Balances Beginning of Year</i>               | <u>196,569</u>    | <u>0</u>        | <u>31,913</u>                    | <u>228,482</u>                 |
| <i>Fund Balances End of Year</i>                     | <u>\$ 317,516</u> | <u>\$ 3,000</u> | <u>\$ 23,373</u>                 | <u>\$ 343,889</u>              |

See accompanying notes to the basic financial statements



**Nelsonville Public Library**  
Athens County, Ohio

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

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                   |   |
| <b>Receipts</b>                                      |                         |                  |                   |   |
| Intergovernmental                                    | \$ 2,208,956            | \$ 2,208,956     | \$ 2,208,956      | \$ 0  |
| Patron Fines and Fees                                | 34,500                  | 34,500           | 35,104            | 604   |
| Contributions, Gifts and Donations                   | 5,000                   | 5,000            | 2,448             | (2,552)   |
| Earnings on Investments                              | 2,000                   | 2,000            | 2,185             | 185   |
| Miscellaneous  | 10,000                  | 10,000           | 12,880            | 2,880   |
| <i>Total Receipts</i>                                | <u>2,260,456</u>        | <u>2,260,456</u> | <u>2,261,573</u>  | <u>1,117</u>  |
| <b>Disbursements</b>                                 |                         |                  |                   |   |
| Current:   |                         |                  |                   |   |
| Library Services:                                    |                         |                  |                   |   |
| Public Service and Programs                          | 1,626,467               | 1,626,467        | 1,469,641         | 156,826   |
| Collection Development and Processing                | 346,530                 | 346,530          | 273,638           | 72,892  |
| Support Services:                                    |                         |                  |                   |   |
| Facilities Operation and Maintenance                 | 177,500                 | 177,500          | 140,456           | 37,044  |
| Information Services                                 | 48,000                  | 48,000           | 34,203            | 13,797  |
| Business Administration                              | 156,988                 | 156,988          | 153,240           | 3,748   |
| Capital Outlay                                       | 101,540                 | 101,540          | 69,448            | 32,092  |
| <i>Total Disbursements</i>                           | <u>2,457,025</u>        | <u>2,457,025</u> | <u>2,140,626</u>  | <u>316,399</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(196,569)</u>        | <u>(196,569)</u> | <u>120,947</u>    | <u>317,516</u>  |
| <i>Fund Balance Beginning of Year</i>                | <u>196,569</u>          | <u>196,569</u>   | <u>196,569</u>    | <u>0</u>  |
| <i>Fund Balance End of Year</i>                      | <u>\$ (0)</u>           | <u>\$ 0</u>      | <u>\$ 317,516</u> | <u>\$ 317,516</u>                                       |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

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

|                                       | <u>Budgeted Amounts</u> |              | <u>Actual</u>   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|-------------------------|--------------|-----------------|---|
|                                       | <u>Original</u>         | <u>Final</u> |                 |   |
| <b>Receipts</b>                       |                         |              |                 |   |
| Contributions, Gifts and Donations    | \$                      | \$           | \$ 3,000        | \$ 3,000  |
| <i>Total Receipts</i>                 | <u>0</u>                | <u>0</u>     | <u>3,000</u>    | <u>3,000</u>  |
| <i>Net Change in Fund Balance</i>     | 0                       | 0            | 3,000           | 3,000   |
| <i>Fund Balance Beginning of Year</i> | <u>0</u>                | <u>0</u>     | <u>0</u>        | <u>0</u>  |
| <i>Fund Balance End of Year</i>       | <u>\$ 0</u>             | <u>\$ 0</u>  | <u>\$ 3,000</u> | <u>\$ 3,000</u>   |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

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|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                              |                            |
| Equity in Pooled Cash and Cash Equivalents | \$ 228,482                 |
| <i>Total Assets</i>                        | <u>\$ 228,482</u>          |
| <br>                                       |                            |
| <b>Net Assets</b>                          |                            |
| Restricted for:                            |                            |
| Capital Projects                           | \$ 31,913                  |
| Unrestricted                               | <u>196,569</u>             |
| <i>Total Net Assets</i>                    | <u>\$ 228,482</u>          |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

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

|                                       | Cash<br>Disbursements | Program Cash Receipts                |  |  | Net<br>(Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|---------------------------------------|-----------------------|--------------------------------------|--|--|--|
|                                       |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities   |
| <b>Governmental Activities</b>        |                       |                                      |  |  |  |
| Library Services:                     |                       |                                      |  |  |  |
| Public Service and Programs           | \$ 1,469,166          | \$ 38,628                            | \$                                       | \$                                     | \$ (1,430,538)   |
| Collection Development and Processing | 263,909               |                                      | 2,975                                    |  | (260,934)  |
| Support Services:                     |                       |                                      |  |  |  |
| Facilities Operation and Maintenance  | 123,648               |                                      |  |  | (123,648)  |
| Information Services                  | 45,651                |                                      |  |  | (45,651)   |
| Business Administration               | 114,032               |                                      |  |  | (114,032)  |
| Capital Outlay                        | 1,052,581             |                                      |  | 201,000                                | (851,581)  |
| <b>Total Governmental Activities</b>  | <b>\$ 3,068,987</b>   | <b>\$ 38,628</b>                     | <b>\$ 2,975</b>                          | <b>\$ 201,000</b>                      | <b>(2,826,384)</b>   |
|                                       |                       | <b>General Receipts</b>              |  |  |  |
|                                       |                       |                                      |  |  | 5,975  |
|                                       |                       |                                      |  |  | 2,208,956  |
|                                       |                       |                                      |  |  | 1,500  |
|                                       |                       |                                      |  |  | 6,117  |
|                                       |                       |                                      |  |  | 5,273  |
|                                       |                       |                                      |  |  | <u>2,227,821</u>   |
|                                       |                       |                                      |  |  | (598,563)  |
|                                       |                       |                                      |  |  | <u>827,045</u>   |
|                                       |                       |                                      |  |  | <u>\$ 228,482</u>  |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

|  | General           | Permanent<br>Improvement<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|----------------------------------|--------------------------------|
| <b>Assets</b>                              |                   |                                  |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 196,569        | \$ 31,913                        | \$ 228,482                     |
| <i>Total Assets</i>                        | <u>\$ 196,569</u> | <u>\$ 31,913</u>                 | <u>\$ 228,482</u>              |
| <b>Fund Balances</b>                       |                   |                                  |                                |
| Unreserved:                                |                   |                                  |                                |
| Undesignated (Deficit), Reported in:       |                   |                                  |                                |
| General Fund                               | \$ 196,569        | \$                               | \$ 196,569                     |
| Capital Projects Funds                     |                   | 31,913                           | 31,913                         |
| <i>Total Fund Balances</i>                 | <u>\$ 196,569</u> | <u>\$ 31,913</u>                 | <u>\$ 228,482</u>              |

See accompanying notes to the basic financial statements

**Nelsonville Public Library  
Athens County, Ohio**

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

|  | General           | Grant<br>Fund | Permanent<br>Improvement<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|---------------|----------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                   |               |                                  |                                |
| Intergovernmental                                    | \$ 2,208,956      | \$ 2,975      | \$                               | \$ 2,211,931                   |
| Patron Fines and Fees                                | 34,770            |               |                                  | 34,770                         |
| Contributions, Gifts and Donations                   | 5,975             |               | 201,000                          | 206,975                        |
| Earnings on Investments                              | 6,117             |               |                                  | 6,117                          |
| Miscellaneous  | 9,131             |               |                                  | 9,131                          |
| <i>Total Receipts</i>                                | <u>2,264,949</u>  | <u>2,975</u>  | <u>201,000</u>                   | <u>2,468,924</u>               |
| <b>Disbursements</b>                                 |                   |               |                                  |                                |
| Current:   |                   |               |                                  |                                |
| Library Services:                                    |                   |               |                                  |                                |
| Public Service and Programs                          | 1,466,191         | 2,975         |                                  | 1,469,166                      |
| Collection Development and Processing                | 263,909           |               |                                  | 263,909                        |
| Support Services:                                    |                   |               |                                  |                                |
| Facilities Operation and Maintenance                 | 123,648           |               |                                  | 123,648                        |
| Information Services                                 | 45,651            |               |                                  | 45,651                         |
| Business Administration                              | 114,032           |               |                                  | 114,032                        |
| Capital Outlay                                       | 154,803           |               | 897,778                          | 1,052,581                      |
| <i>Total Disbursements</i>                           | <u>2,168,234</u>  | <u>2,975</u>  | <u>897,778</u>                   | <u>3,068,987</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 96,715            | 0             | (696,778)                        | (600,063)                      |
| <b>Other Financing Sources (Uses)</b>                |                   |               |                                  |                                |
| Sale of Capital Assets                               | 1,500             |               |                                  | 1,500                          |
| <i>Total Other Financing Sources (Uses)</i>          | <u>1,500</u>      | <u>0</u>      | <u>0</u>                         | <u>1,500</u>                   |
| <i>Net Change in Fund Balances</i>                   | 98,215            | 0             | (696,778)                        | (598,563)                      |
| <i>Fund Balances Beginning of Year</i>               | <u>98,354</u>     | <u>0</u>      | <u>728,691</u>                   | <u>827,045</u>                 |
| <i>Fund Balances End of Year</i>                     | <u>\$ 196,569</u> | <u>\$ 0</u>   | <u>\$ 31,913</u>                 | <u>\$ 228,482</u>              |

See accompanying notes to the basic financial statements

**Nelsonville Public Library**  
**Athens County, Ohio**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2005*

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>Receipts</b>                                      |                         |                   |                   |   |
| Intergovernmental                                    | \$ 2,083,800            | \$ 2,196,858      | \$ 2,208,956      | \$ 12,098   |
| Patron Fines and Fees                                | 30,500                  | 30,500            | 34,770            | 4,270   |
| Contributions, Gifts and Donations                   | 1,000                   | 1,000             | 5,975             | 4,975   |
| Earnings on Investments                              | 3,000                   | 3,000             | 6,117             | 3,117   |
| Miscellaneous  | 5,100                   | 5,100             | 9,131             | 4,031   |
| <i>Total Receipts</i>                                | <u>2,123,400</u>        | <u>2,236,458</u>  | <u>2,264,949</u>  | <u>28,491</u>   |
| <b>Disbursements</b>                                 |                         |                   |                   |   |
| Current:   |                         |                   |                   |   |
| Library Services:                                    |                         |                   |                   |   |
| Public Service and Programs                          | 1,543,876               | 1,543,876         | 1,466,191         | 77,685  |
| Collection Development and Processing                | 265,030                 | 265,030           | 263,909           | 1,121   |
| Support Services:                                    |                         |                   |                   |   |
| Facilities Operation and Maintenance                 | 130,310                 | 130,310           | 123,648           | 6,662   |
| Information Services                                 | 46,400                  | 46,400            | 45,651            | 749   |
| Business Administration                              | 116,098                 | 116,098           | 114,032           | 2,066   |
| Capital Outlay                                       | 120,040                 | 120,040           | 154,803           | (34,763)  |
| <i>Total Disbursements</i>                           | <u>2,221,754</u>        | <u>2,221,754</u>  | <u>2,168,234</u>  | <u>53,520</u>   |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(98,354)</u>         | <u>14,704</u>     | <u>96,715</u>     | <u>82,011</u>   |
| <b>Other Financing Sources (Uses)</b>                |                         |                   |                   |   |
| Sale of Capital Assets                               |                         |                   | 1,500             | 1,500   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>0</u>                | <u>0</u>          | <u>1,500</u>      | <u>1,500</u>  |
| <i>Net Change in Fund Balance</i>                    | <u>(98,354)</u>         | <u>14,704</u>     | <u>98,215</u>     | <u>83,511</u>   |
| <i>Fund Balance Beginning of Year</i>                | <u>98,354</u>           | <u>98,354</u>     | <u>98,354</u>     | <u>0</u>  |
| <i>Fund Balance End of Year</i>                      | <u>\$ 0</u>             | <u>\$ 113,058</u> | <u>\$ 196,569</u> | <u>\$ 83,511</u>  |

See accompanying notes to the basic financial statements

**Nelsonville Public Library  
Athens County, Ohio**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
Grant Fund  
For the Year Ended December 31, 2005*

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u> | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u>      |               |   |
| <b>Receipts</b>                                      |                         |                   |               |   |
| Contributions, Gifts and Donations                   | \$                      | 16,002            | \$ 2,975      | \$ (13,027)   |
| <i>Total Receipts</i>                                | <u>0</u>                | <u>0</u>          | <u>2,975</u>  | <u>(13,027)</u>   |
| <b>Disbursements</b>                                 |                         |                   |               |   |
| Current:   |                         |                   |               |   |
| Library Services:                                    |                         |                   |               |   |
| Public Service and Programs                          | <u>2,975</u>            | <u>2,975</u>      | <u>2,975</u>  | <u>0</u>  |
| <i>Total Disbursements</i>                           | <u>2,975</u>            | <u>2,975</u>      | <u>2,975</u>  | <u>0</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (2,975)                 | (2,975)           | 0             | (13,027)  |
| <i>Fund Balance Beginning of Year</i>                | <u>0</u>                | <u>0</u>          | <u>0</u>      | <u>0</u>  |
| <i>Fund Balance End of Year</i>                      | <u>\$ (2,975)</u>       | <u>\$ (2,975)</u> | <u>\$ 0</u>   | <u>\$ (13,027)</u>                                      |

See accompanying notes to the basic financial statements



**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

The Nelsonville Public Library was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Nelsonville-York City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by the law of the State of Ohio. The Library also determines and operates under its own budget. Control and management of the Library is governed by Sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education. The Library is involved with a jointly governed organization as described in Note 12.

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 Nelsonville Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include all of the financial activities of the primary government, since the Library has no fiduciary funds, business-type activities, and/or internal service funds. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible.

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregated 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.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. The Library's funds are all classified as governmental.

Governmental Funds

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

1. General Fund – The General Fund is the general operating fund for the Library. It 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.
2. Grant Fund – The Grant Fund is a Special Revenue Fund which accounts for grants and other resources whose use is restricted to a particular purpose.
3. Permanent Improvement Fund – The Permanent Improvement Fund is a Capital Projects Fund for monies set aside by the Board of Library Trustees specifically for major capital improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

D. Budgetary Process

The Board must annually approve an appropriation measure and any subsequent amendment. Unencumbered appropriations lapse at year end. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function and object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees. Budgetary expenditures (i.e., disbursements and encumbrances) cannot exceed appropriations at the legal level of control.

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk-Treasurer.

**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 2006, all of the Library's investments in nonnegotiable certificates of deposit were converted to cash to defray the costs involved in the second phase of the Athens Library Expansion Project.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent the balance of the Permanent Improvement Fund, which was \$23,373 at the end of 2006 and \$31,913 at the end of 2005.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Long-Term Obligations**

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets represent the balance of the Permanent Improvement Fund, which was \$23,373 at the end of 2006 and \$31,913 at the end of 2005.

**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. No fund balance reserves have been established.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

In 2004, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005, the Library implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column, and any non-major funds would have been aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Deposits and Investments**

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

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

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 4 – Deposits and Investments (Continued)**

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

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

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

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$262,205 of the Library's bank balance of \$364,995 and at December 31 2005, \$171,792 of the Library's bank balance of \$272,636 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.

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

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

**Note 4 – Deposits and Investments (Continued)**

Investments

As of December 31, 2006 and 2005, the Library had no investments.

The carrying amount of cash and investments at December 31, 2006 and 2005 was as follows:

|                 | 2005       | 2006       |
|-----------------|------------|------------|
| Demand Deposits | \$ 228,482 | \$ 343,889 |

**Note 5 – Capital Assets**

The Library chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activity in the notes to the financial statements.

**Note 6 – Risk Management**

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

| Company                  | Type of Coverage     | Coverage    |
|--------------------------|----------------------|-------------|
| State Automobile         | Commercial Property  | \$9,182,930 |
|                          | General Liability    | \$4,000,000 |
|                          | Commercial Crime     | \$27,000    |
|                          | Inland Marine        | \$10,000    |
|                          | Vehicle              | \$2,000,000 |
| Arch Specialty Insurance | Library Officials    | \$1,000,000 |
| Cincinnati Insurance     | Fidelity and Deposit | \$20,000    |

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 7 – Defined Benefit Pension Plan**

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

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Defined Benefit Pension Plan (Continued)**

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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries, up from 8.5% in 2005. The Library's contribution rate for pension benefits for 2006 was 13.7 percent, up from 13.55% in 2005. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$162,550, \$162,480 and \$158,653 respectively; 100 percent has been contributed for all years. No contributions were made to the member-directed plan for 2006 or 2005.

**Note 8 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**Nelsonville Public Library  
Athens County, Ohio**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 8 – Postemployment Benefits (Continued)**

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 9 – Debt**

The Nelsonville-York City School District Board of Education serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

The Library Board has never approved the School District placing a Library tax levy or bond issue on the ballot.

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11- Related Parties**

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Nelsonville-York City School District. The School District appoints the board members for the Nelsonville Public Library. No material payments to the Nelsonville York School District were made in 2005 or 2006.

The Friends of the Athens Public Library, Inc., is a not-for-profit organization with a self-appointing board and a mission of fostering interaction between the Athens branch of the Nelsonville Public Library and the Athens community. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. This organization is a legally separate, tax-exempt entity whose resources benefit the Library, but the resources are not directly accessible to the Library and are not significant in amount to the Library. Therefore, this organization has been excluded from the reporting entity of the Library. No payments to the Friends of Athens Public Library were made in 2005 or 2006.

The Library appointed Board member Dave Vogt in 2007. Mr. Vogt is a sales associate for Matthews Insurance with whom the Board purchases its insurance coverage. Mr. Vogt was appointed with the understanding that he would abstain from all votes concerning Matthews Insurance.

**Note 12- Jointly Governed Organizations**

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Library participates in one jointly governed organization, the Southeast Ohio Regional Library Services (SERLS) (formerly the Ohio Valley Area Libraries) with offices in Wellston, Ohio. The Library currently has one seat on the governing board of SERLS and is a dues-paying member of the organization. Fees to join this organization were \$2,200. Dues paid in 2006 were \$2,000.





# Mary Taylor, CPA

Auditor of State

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

Nelsonville Public Library  
Athens County  
95 West Washington Street  
Nelsonville, Ohio 45764

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Nelsonville Public Library, Athens County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 6, 2007, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the basic financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Library's management in a separate letter dated August 6, 2007.

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### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 6, 2007



Mary Taylor, CPA  
Auditor of State

**NELSONVILLE PUBLIC LIBRARY**

**ATHENS 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 25, 2007**