



Mary Taylor, CPA
Auditor of State

ROCK CREEK PUBLIC LIBRARY
ASHTABULA COUNTY

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Mary Taylor, CPA
Auditor of State

Rock Creek Public Library
Ashtabula County
2988 High Street
P.O. Box 297
Rock Creek, Ohio 44084-0297

To the Library Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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December 5, 2007

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rock Creek Public Library
Ashtabula County
2988 High Street
P.O. Box 297
Rock Creek, Ohio 44084-0297

To the Library Board of Trustees:

We have audited the accompanying financial statements of Rock Creek Public Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Rock Creek Public Library, Ashtabula County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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.



Mary Taylor, CPA
Auditor of State

December 5, 2007

**ROCK CREEK LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Library and Local Government Support	\$182,359	\$0	\$0	\$182,359
Intergovernmental	2,226			2,226
Patron Fines and Fees	10,181			10,181
Contributions, Gifts and Donations	254			254
Earnings on Investments	5,906	49,541		55,447
Miscellaneous	564			564
Total Cash Receipts	<u>201,490</u>	<u>49,541</u>	<u>0</u>	<u>251,031</u>
Cash Disbursements:				
Current:				
Salaries	83,872			83,872
Employee Fringe Benefits	12,334			12,334
Purchased and Contractual Services	35,120			35,120
Library Materials and Information	47,923	21		47,944
Supplies	4,447			4,447
Other	5,286			5,286
Capital Outlay	975			975
Total Cash Disbursements	<u>189,957</u>	<u>21</u>	<u>0</u>	<u>189,978</u>
Total Receipts Over/(Under) Disbursements	<u>11,533</u>	<u>49,520</u>	<u>0</u>	<u>61,053</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		22		22
Transfers-Out	(22)			(22)
Total Other Financing Receipts/(Disbursements)	<u>(22)</u>	<u>22</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	<u>11,511</u>	<u>49,542</u>	<u>0</u>	<u>61,053</u>
Fund Cash Balance, January 1	<u>51,138</u>	<u>64,129</u>	<u>30,448</u>	<u>145,715</u>
Fund Cash Balance, December 31	<u><u>\$62,649</u></u>	<u><u>\$113,671</u></u>	<u><u>\$30,448</u></u>	<u><u>\$206,768</u></u>

The notes to the financial statements are an integral part of this statement

**ROCK CREEK LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			(Totals
		Special	Capital	Memorandum)
Cash Receipts:				
Library and Local Government Support	182,221	\$0	\$0	\$ 182,221
Patrons Fines and Fees	11,506			11,506
Contributions, Gifts and Donations	695			695
Earnings on Investments	941	4,819		5,760
	<u>195,363</u>	<u>4,819</u>	<u>0</u>	<u>200,182</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries	84,356			84,356
Employee Fringe Benefits	12,569			12,569
Purchased and Contracted Services	36,858			36,858
Library Materials and Information	39,814	24		39,838
Supplies	3,992			3,992
Other	6,478			6,478
Capital Outlay	385			385
	<u>184,452</u>	<u>24</u>	<u>0</u>	<u>184,476</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>10,911</u>	<u>4,795</u>	<u>0</u>	<u>15,706</u>
Fund Cash Balance, January 1	<u>40,227</u>	<u>59,334</u>	<u>30,448</u>	<u>130,009</u>
Fund Cash Balance, December 31	<u><u>\$51,138</u></u>	<u><u>\$64,129</u></u>	<u><u>\$30,448</u></u>	<u><u>\$145,715</u></u>

The notes to the financial statements are an integral part of this statement

**ROCK CREEK PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Rock Creek Public Library, Ashtabula County, (the Library) as a body corporate and politic. The Jefferson Area Local School Board appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when 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).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Library values certificates of deposit and common stock at cost or fair value when donated.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Swan Building Fund – Donation for the purpose of erecting or maintaining a library building.

Masirovits Nonexpendable Trust – Donation of \$1,000 (Corpus) on which the interest earned may be used to purchase children's books.

**ROCK CREEK PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Building and Repair Fund - This fund receives transfers from the General fund for capital improvements to the Library.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$196,334	\$81,701
Certificates of deposit	10,206	9,698
Total deposits	206,540	91,399
Common stock (at cost, was \$228 and \$54,316 at December 31, 2006 and 2005, respectively.)	228	54,316
Total investments	228	54,316
Total deposits and investments	\$206,768	\$145,715

At December 31, 2005, the Library held \$54,316 in equity securities at cost. The library sold most of its common stock holdings during 2006 for a gain of \$47,004. As of December 31, 2006 the Library held \$228 of Avaya common stock.

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**ROCK CREEK PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,000	\$201,490	\$11,490
Special Revenue	49,886	49,563	(323)
Capital Projects	11	0	(11)
Total	\$239,897	\$251,053	\$11,156

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,360	\$189,979	\$41,381
Special Revenue	85	21	64
Capital Projects	6,000	0	6,000
Total	\$237,445	\$190,000	\$47,445

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$196,234	\$195,363	(\$871)
Special Revenue	20	4,819	4,799
Capital Projects	10	0	(10)
Total	\$196,264	\$200,182	\$3,918

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,464	\$184,452	\$47,012
Special Revenue	85	24	61
Capital Projects	6,000	0	6,000
Total	\$237,549	\$184,476	\$53,073

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**ROCK CREEK PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. RETIREMENT SYSTEMS

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. SUBSEQUENT EVENTS

The Ashtabula County District Library has filed a Notice of Appeal, Case No. 2007-T-964, with the State of Ohio's Board of Tax Appeals September 21, 2007. The appeal challenges the decision of the Ashtabula County Budget Commission regarding the distribution of the County's Library and Local Government Support Fund. The Library estimates an adverse decision would likely cause a loss of up to 12% annually (\$12,981 approximately) of its Library and Local Government Support revenue. If the appeal is successful, the loss would be phased in beginning in 2009.



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*

Rock Creek Public Library
Ashtabula County
2988 High Street
P.O. Box 297
Rock Creek, Ohio 44084-0297

To the Library Board of Trustees:

We have audited the financial statements of Rock Creek Public Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated December 5, 2007 wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 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 December 5, 2007.

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*.

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



Mary Taylor, CPA
Auditor of State

December 5, 2007



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Auditor of State

**ROCK CREEK PUBLIC LIBRARY
ASHTABULA 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
JANUARY 15, 2008**