



**Auditor of State
Betty Montgomery**

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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**Auditor of State
Betty Montgomery**

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the 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 a February 2, 2005, 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 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.

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

Betty Montgomery
Auditor of State

June 14, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the Board of Trustees:

We have audited the accompanying financial statements of the Putnam District Library, Putnam County, (the Library) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our 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 started processing its financial transactions with the Auditor of State's Uniform Accounting Network (UAN) in July 2005. *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. Additionally, the Library reclassified its presentation of the Lila Stauffer Bequest Fund as described in Note 2.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, 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 and reserves for encumbrances of the Putnam District Library, Putnam County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 June 14, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

June 14, 2006

**PUTNAM DISTRICT LIBRARY
PUTNAM 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 (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Other Local Taxes			\$46,141		\$46,141
Other Government Grants-In-Aid	\$1,277,519				1,277,519
Intergovernmental			367		367
Patron Fines and Fees	18,880				18,880
Earnings on Investments	29,067	\$3,615	2,665		35,347
Contributions, Gifts and Donations	11,939				11,939
Miscellaneous Receipts	497				497
Total Cash Receipts	1,337,902	3,615	49,173		1,390,690
Cash Disbursements:					
Current:					
Salaries and Benefits	935,380				935,380
Purchased and Contracted Services	96,565	5,628			102,193
Library Materials and Information	171,982				171,982
Supplies	31,282				31,282
Other	7,964				7,964
Debt Service:					
Redemption of Principal			60,000		60,000
Interest Payments and Other Financing Fees and Costs			8,419		8,419
Capital Outlay	110,980				110,980
Total Cash Disbursements	1,354,153	5,628	68,419		1,428,200
Total Cash Disbursements Over Cash Receipts	(16,251)	(2,013)	(19,246)		(37,510)
Fund Cash Balances, January 1	976,447	158,735	97,443	\$173,699	1,406,324
Fund Cash Balances, December 31	\$960,196	\$156,722	\$78,197	\$173,699	\$1,368,814
Reserves for Encumbrances, December 31	\$21,271				\$21,271

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

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Other Local Taxes			\$40,801		\$40,801
Other Government Grants-In-Aid	\$1,270,524				1,270,524
Intergovernmental			6,683		6,683
Patron Fines and Fees	19,580				19,580
Earnings on Investments	8,437	\$1,161	1,061		10,659
Contributions, Gifts and Donations	20,809				20,809
Miscellaneous Receipts	2,132				2,132
Total Cash Receipts	<u>1,321,482</u>	<u>1,161</u>	<u>48,545</u>		<u>1,371,188</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	857,877				857,877
Purchased and Contracted Services	89,333				89,333
Library Materials and Information	171,158				171,158
Supplies	29,705				29,705
Other Objects	10,743	4,648	1,046		16,437
Debt Service:					
Redemption of Principal			60,000		60,000
Interest Payments and Other Financing Fees and Costs			11,025		11,025
Capital Outlay	53,788				53,788
Total Cash Disbursements	<u>1,212,604</u>	<u>4,648</u>	<u>72,071</u>		<u>1,289,323</u>
Total Cash Receipts Over/(Under) Cash Disbursement	<u>108,878</u>	<u>(3,487)</u>	<u>(23,526)</u>		<u>81,865</u>
Fund Cash Balances, January 1	<u>867,569</u>	<u>162,222</u>	<u>120,969</u>	<u>\$173,699</u>	<u>1,324,459</u>
Fund Cash Balances, December 31	<u>\$976,447</u>	<u>\$158,735</u>	<u>\$97,443</u>	<u>\$173,699</u>	<u>\$1,406,324</u>
Reserves for Encumbrances, December 31	<u>\$73,561</u>				<u>\$73,561</u>

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

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Putnam District Library, Putnam County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees appointed by the Putnam County Court of Common Pleas, three members, and the Putnam County Commissioners, four members. 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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Lila M. Stauffer Bequest Fund – received a bequest for the purpose of landscaping, ground maintenance, and expansion.

3. Debt Service Funds

The Bond Retirement Fund is used for the accumulation of resources for retirement of the 1986 Library Improvement Bond Issue.

4. Capital Project Funds

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 – The fund balance was used for building equipment repairs/replacement and building improvements.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, level of control.

A summary of 2005 and 2004 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. RESTATEMENT OF FUND BALANCES

In 2004, the Library determined that the Lila Stauffer Bequest Fund should be reported as a special revenue fund of the Library rather than an expendable trust fund as it was presented at December 31, 2003.

	Special Revenue	Expendable Trust
Fund Balance December 31, 2003		\$ 162,222
Change in Fund Structure	\$ 162,222	(162,222)
Adjusted Fund Balance	\$ 162,222	\$ -

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. 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 follows:

	2005	2004
Cash on Hand	\$560	\$560
Demand Deposits	141,683	401,696
Certificates of Deposit	1,016,105	800,000
Total cash on hand and deposits	1,158,348	1,202,256
STAR Ohio	210,466	204,068
Total cash on hand, deposits and investments	\$1,368,814	\$1,406,324

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Library, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,369,873	\$1,337,902	(\$31,971)
Special Revenue	5,000	3,615	(1,385)
Debt Service	52,415	49,173	(3,242)
Capital Projects	30,000		(30,000)
Total	\$1,457,288	\$1,390,690	(\$66,598)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,490,098	\$1,375,424	\$114,674
Special Revenue	5,000	5,628	(628)
Debt Service	68,850	68,419	431
Total	\$1,563,948	\$1,449,471	\$114,477

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,307,557	\$1,321,482	\$13,925
Special Revenue	5,000	1,161	(3,839)
Debt Service	50,579	48,545	(2,034)
Capital Projects	35,000		(35,000)
Total	\$1,398,136	\$1,371,188	(\$26,948)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,326,469	\$1,286,165	\$40,304
Special Revenue	25,000	4,648	20,352
Debt Service	72,525	72,071	454
Capital Projects	45,000		45,000
Total	\$1,468,994	\$1,362,884	\$106,110

5. GRANTS-IN-AID AND TAX RECEIPTS

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 any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT

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

	<u>Principal</u>	<u>Interest Rate</u>
Library Improvement Bonds	<u>\$60,000</u>	6.13%
Total	<u><u>\$60,000</u></u>	

Outstanding general obligation bonds consist of Library Improvement issues, issued in 1986 by the Putnam County Commissioners on behalf of the Library. General Obligation bonds are payable from tax levies on all taxable property in Putnam County. This debt will be fully paid in 2006.

7. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

Putnam County is a member of the County Risk Sharing Authority, Inc., (CORSA) (the Pool). The Library is included on the County's policy, and consequently reimburses the County for their portion of the premium costs. The Pool assumes the risk of loss up to the Library's limits on the policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Comprehensive general liability;
- Automobile liability;
- Certain property insurance; and
- Public officials' errors and omissions liability insurance.

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**Auditor of State
Betty Montgomery**

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

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the Board of Trustees:

We have audited the financial statements of the Putnam District Library, Putnam County, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 14, 2006, wherein we noted the Library prepared its financial statements using the accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America and reclassified its presentation of the Lila M. Stauffer Bequest fund. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated June 14, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Library's management dated June 14, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

June 14, 2006



**Auditor of State
Betty Montgomery**

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PUTNAM DISTRICT LIBRARY

PUTNAM COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2006**