



Mary Taylor, CPA
Auditor of State

MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY

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MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mary L. Cook Public Library
Warren County
381 Old Stage Road
Waynesville, Ohio 45068

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Mary L. Cook Public Library, Warren 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. 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 opinions.

As discussed in Note 2, 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 Mary L. Cook Public Library, Warren County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 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 the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

September 20, 2007

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the Mary L. Cook Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, within the limitations of the Board's modified cash basis accounting.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$13,410. This represents an increase of \$121,658 in the General Fund before the year-end transfer-out of \$150,000 to the Building Fund. The Building Fund decreased \$26,342 before the transfer-in of \$150,000, reflecting expenditures for replacing the flat roof areas of the building and replacing the shingled roof on the old portion of the building. The Technology Fund decreased \$81,906, reflecting expenditures for the new Polaris operating system software, maintenance, training, and technology equipment to better serve the public.

At year-end the Library Board transferred \$150,000 from the General Fund into the Building and Repair Fund for future planned additions to the library, specifically to the children's room, and for general maintenance.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 94 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the modified 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.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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 nonfinancial factors as well such as the condition of the Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as library and local government support.

In the statement of net assets and the statement of activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services, support services, and capital outlay. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. 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 significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund, the Building Fund, and the Technology Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
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

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	\$33,819	\$57,273
Investments	<u>635,713</u>	<u>598,849</u>
Total Assets	<u>\$669,532</u>	<u>\$656,122</u>
Net Assets		
Restricted for:		
Capital Projects	293,592	251,840
Unrestricted	<u>375,940</u>	<u>404,282</u>
Total Net Assets	<u>\$669,532</u>	<u>\$656,122</u>

As mentioned previously, net assets of governmental activities increased \$13,410 or 2 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- The Library's concerted effort to contain costs and spend carefully to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).
- The Library receives a percentage of the total Warren County LLGSF funds based on a formula considering population, circulation, building and grounds square footage and collection size. The slight increase in our funding percentage from 14.1961% to 14.5041% was due to increased circulation in 2005.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a modified cash basis.

	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$17,812	\$21,588
Operating Grants and Contributions		758
Capital Grants and Contributions	3,218	12,538
Total Program Receipts	<u>21,030</u>	<u>34,884</u>
General Receipts:		
Library and Local Government Support Fund	696,651	679,382
Unrestricted Gifts and Contributions	3,823	4,257
Interest	30,483	18,853
Miscellaneous	4,528	196
Total General Receipts	<u>735,485</u>	<u>702,688</u>
Total Receipts	<u>756,515</u>	<u>737,572</u>
Disbursements:		
Salaries	368,444	339,458
Employee Fringe Benefits	60,995	59,349
Purchased and Contractual Services	96,064	87,921
Library Materials and Information	153,135	103,821
Supplies	11,184	21,103
Other	4,782	3,685
Capital Outlay	48,501	59,998
Total Disbursements	<u>743,105</u>	<u>675,335</u>
Increase (Decrease) in Net Assets	13,410	62,237
Net Assets, January 1	656,122	593,885
Net Assets, December 31	<u>\$669,532</u>	<u>\$656,122</u>

Program receipts represent only 3 percent of total receipts and are primarily of patron fines and fees, as well as contributions and donations.

General Receipts represent 97 percent of the Library's total receipts (of this amount 95 percent are intergovernmental receipts). Miscellaneous receipts, unrestricted gifts, and interest make up the remaining 5 percent of the Library's General Receipts.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for Library activities. These include the costs of public service programs, facility operation and maintenance, the auditor, the treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to General Fund unrestricted receipts.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Salaries, which account for 50 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006
Current		
Salaries	\$368,444	\$368,444
Employee Fringe Benefits	60,995	60,995
Purchased and Contracted Services	96,064	96,064
Library Materials and Information	153,135	132,382
Supplies	11,184	10,907
Other	4,782	4,782
Capital Outlay	48,501	48,501
Total Expenses	\$743,105	\$722,075

The dependence upon intergovernmental receipts is apparent as over 97% percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$756,516 and disbursements of \$743,106.

The fund balance of the General Fund decreased only \$28,342 as a result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF), while allowing for allocation of \$150,000 to the Building Fund. General Fund receipts were more than disbursements by \$121,658, indicating that efforts to contain costs and limit expenses were successful. The Library transferred \$150,000 from the General Fund to the Building Fund at year-end in anticipation of the Library's eventual addition to the children's room and for general building maintenance.

In light of the continued uncertainty regarding the LLGSF, it was decided that a continued reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in the LLGSF funding is reduced or remains stagnant.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

From the Building Fund \$31,823 was spent in 2006 toward replacement of both flat roof areas, as well as replacement of the shingled roof in the older portion of the building.

From the Technology Fund \$85,829 was spent in 2006 toward the new Polaris operating system, server hardware, training, maintenance, and new and replacement computers for both staff and public. Wireless Internet service and podcasting capabilities were also added in 2006.

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.

During 2006, General Fund final budgeted receipts were more than original budgeted receipts due to increases in Intergovernmental Receipts, Contributions, Gifts and Donations, and Earnings on Investments. Also, the Patrons Fines and Fees were not included in the final budgeted receipts. The difference between final budgeted receipts and actual receipts was significant at 8 %.

Final disbursements were budgeted at \$718,700 while actual disbursements were \$625,454. The library held spending below budget by 12%. The result is the increase in General Fund balance of \$121,658, prior to the transfer-out of \$150,000 for 2006 (including \$598 reserve for encumbrances).

Capital Assets and Debt Administration

Capital Assets

The Government does not currently keep track of its capital assets and infrastructure

Debt

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

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. LLGSF funding has been frozen at year 2000 levels since the beginning of the 2001-2003 biennium budget. Warren County libraries divide LLGSF funds according to a formula based on population, circulation, building and grounds square footage and collection size. The slight increase in funding for the Library is due to an increase in circulation and our increased building and grounds square footage.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Maloney, Clerk-Treasurer, Mary L. Cook Public Library, 381 Old Stage Road, Waynesville, Ohio 45068, or email at maloneke@oplin.org.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$33,819
Investments	<u>635,713</u>
<i>Total Assets</i>	<u><u>\$669,532</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$293,592
Unrestricted	<u>375,940</u>
<i>Total Net Assets</i>	<u><u>\$669,532</u></u>

See accompanying notes to the basic financial statements

MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries	\$368,444	\$0	\$0	(\$368,444)
Fringe Benefits	60,995	0	0	(60,995)
Purchased and Contracted Services	96,064	0	0	(96,064)
Library Materials and Information	153,135	17,812	2,941	(132,382)
Supplies	11,184	0	277	(10,907)
Other	4,782	0	0	(4,782)
Capital Outlay	48,501	0	0	(48,501)
<i>Total Governmental Activities</i>	<u>\$743,105</u>	<u>\$17,812</u>	<u>\$3,218</u>	(722,075)
		General Receipts		
		Unrestricted Gifts and Contributions		3,823
		Grants and Entitlements not Restricted		696,651
		Interest		30,483
		Miscellaneous		4,528
		<i>Total General Receipts</i>		735,485
		Change in Net Assets		13,410
		<i>Net Assets Beginning of Year</i>		656,122
		<i>Net Assets End of Year</i>		<u>\$669,532</u>

See accompanying notes to the basic financial statements

MARY L. COOK PUBLIC LIBRARY

WARREN COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2006

	General	Building Fund	Technology Fund	Total Governmental Funds
Assets				
Cash	\$33,819	\$0	\$0	\$33,819
Investments	342,121	238,140	55,452	635,713
<i>Total Assets</i>	<u>375,940</u>	<u>238,140</u>	<u>55,452</u>	<u>669,532</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	598	-	-	598
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	375,342	-	-	375,342
Capital Projects Funds	-	238,140	55,452	293,592
<i>Total Fund Balances</i>	<u>\$375,940</u>	<u>\$238,140</u>	<u>\$55,452</u>	<u>\$669,532</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	General	Building Fund	Technology Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$696,651	\$0	\$0	\$696,651
Patron Fines and Fees	17,536	0	0	17,536
Contributions, Gifts and Donations	6,700	341	0	7,041
Earnings on Investments	21,420	5,140	3,923	30,483
Miscellaneous	4,805	0	0	4,805
<i>Total Receipts</i>	<u>747,112</u>	<u>5,481</u>	<u>3,923</u>	<u>756,516</u>
Disbursements				
Current:				
Library Services:				
Salaries	368,444	0	0	368,444
Employees Fringe Benefits	60,995	0	0	60,995
Purchased and Contractual Services	82,094	7,849	6,122	96,065
Library Materials and Information	95,720	0	57,415	153,135
Supplies	11,184	0	0	11,184
Other	4,782	0	0	4,782
Capital Outlay	2,235	23,974	22,292	48,501
<i>Total Disbursements</i>	<u>625,454</u>	<u>31,823</u>	<u>85,829</u>	<u>743,106</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>121,658</u>	<u>(26,342)</u>	<u>(81,906)</u>	<u>13,410</u>
Other Financing Sources (Uses)				
Transfers In	0	150,000	0	150,000
Transfers Out	(150,000)	0	0	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>	<u></u>
<i>Net Change in Fund Balances</i>	<u>(28,342)</u>	<u>123,658</u>	<u>(81,906)</u>	<u>13,410</u>
<i>Fund Balances Beginning of Year</i>	<u>404,282</u>	<u>114,482</u>	<u>137,358</u>	<u>656,122</u>
<i>Fund Balances End of Year</i>	<u>\$375,940</u>	<u>\$238,140</u>	<u>\$55,452</u>	<u>\$669,532</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

*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>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$694,121	\$694,121	\$696,651	2,530
Patron Fines and Fees	0	0	17,536	17,536
Contributions, Gifts and Donations	0	0	6,700	6,700
Earnings on Investments	0	0	21,420	21,420
Miscellaneous	0	0	4,805	4,805
<i>Total receipts</i>	<u>694,121</u>	<u>694,121</u>	<u>747,112</u>	<u>52,991</u>
Disbursements				
Current:				
Library Services:				
Salaries	372,305	372,305	368,444	3,861
Employees Fringe Benefits	65,295	65,295	60,995	4,300
Purchased and Contracted Services	116,650	116,650	82,094	34,556
Library Materials and Information	120,000	120,000	95,720	24,280
Supplies	23,000	23,000	11,184	11,816
Other	6,450	6,450	4,782	1,668
Contingencies	10,000	10,000	0	10,000
Capital Outlay	5,000	5,000	2,235	2,765
<i>Total Disbursements</i>	<u>718,700</u>	<u>718,700</u>	<u>625,454</u>	<u>93,246</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,579)</u>	<u>(24,579)</u>	<u>121,658</u>	<u>146,237</u>
Other Financing (Uses)				
Transfers Out	0	(150,000)	(150,000)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(24,579)</u>	<u>(174,579)</u>	<u>(28,342)</u>	<u>146,237</u>
<i>Fund Balance Beginning of Year</i>	<u>404,282</u>	<u>404,282</u>	<u>404,282</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$379,703</u>	<u>\$229,703</u>	<u>\$375,940</u>	<u>\$146,237</u>

See accompanying notes to the basic financial statements

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Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 1 – Description of the Library and Reporting Entity

The Ohio Public Library was organized as a school district public library in 1917 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Ohio 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 law. 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 Wayne Local School Board, although the School Board 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 Wayne Local School Board 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 Wayne Local School Board.

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 Wayne Local School District.

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

The Friends of the Ohio Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Funds received from the organization are not a significant resource for the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Ohio Public Library have been prepared on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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.

The statement of net assets presents the cash and investment balances governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. 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

General Fund - The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building and Repair Fund - This fund is used to account for resources restricted to the acquisition, construction, or repair of major capital improvements.

Technology Fund - This fund is used to account for resources restricted to technology upgrades.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

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.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

For control purposes, the Library estimates 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 Fiscal Officer/Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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, respectively.

During 2006, investments were limited to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by *UVest Financial Services and Lebanon Citizens National Bank* on December 31, 2006.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 amounted to \$21,420.

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent \$3,218.

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. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Net Assets

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

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

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

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

M. 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 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$598 for the general fund

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.

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;

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (continued)

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 (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$150.00 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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.

Investments

The following deposit/investment objectives will be applied in the management of funds of the Mary L. Cook Public Library. The deposit/investment program shall preserve capital and protect investment principle within defined parameters. The deposit/investment program shall maintain sufficient liquidity to meet reasonably anticipated fiscal operating requirements on an on-going basis throughout the fiscal cycle. The deposit/investment program shall strive to attain the best total return or yield on deposited and invested funds of the Library as is reasonable and prudently achievable within defined parameters. All attempts shall be made to minimize risks inherent in investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (continued)

As of December 31, 2006, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$100,439	07-2007
Federal Home Loan Mortgage Corporation Notes	96,897	10-2008
Federal Home Loan Bank Notes	97,060	06-2008
Money Market Mutual Fund	29	
STAR Ohio	341,288	
Total Investments	<u>\$635,713</u>	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by limiting maturity dates, or average maturity dates, to no more than five (5) years from date of purchase, unless the investment is matched to a specified obligation or debt of the Library, thereby avoiding the need to sell securities on the open market prior to maturity.

The Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes and Federal Home Loan Banks notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." Of the Library's total investments, 15.79% are FNMA, 15.24% are FHLMC, 15.26% are FHLB, .03% is MMMF and 53.68% are STAR Ohio.

Note 5 - Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors & Omissions
- Fidelity and Deposit

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.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 6 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$51,634, \$45,996, and \$45,843 respectively; the full amount has been contributed for 2006, 2005, and 2004.

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .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. 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% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. 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 were \$11.1 billion. The actuarially accrued liability

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 7 - Postemployment Benefits (continued)

and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP), effective date January 1, 2007. As an additional component of the HCPP, member and contribution rates increased as of January 1, 2006, to allow additional funds to be allocated to the health care plan.

Note 8 – Library and Local Government Support

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 and other expenses. The Budget Commission can not reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Mary L. Cook Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Board's modified cash basis accounting.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$62,237, or 11 percent, a significant change from the prior year. This represents an increase in cash and cash equivalents of \$110,476 in the General Fund before the \$100,000 transfer to the Technology Fund. Net expenditures of \$39,063 from the Building and Repair Fund to complete payment on the building project and \$9,176 from the Technology Fund for Professional Services and Equipment brought the increase down to \$62,237.

The Library transferred \$100,000 from the General Fund to the Technology Fund at year-end in anticipation of purchase of a new circulation operating system in 2006.

The Library's general receipts are primarily State Library and local Government Support Fund receipts. These receipts represent 94 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

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

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As a result of using the modified cash basis, 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 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 year end. 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 or business-type activity draws from the Library's general receipts.

These statements report the Library's modified cash position and the changes in modified 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 modified cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the condition of the Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as income taxes.

In the statement of net assets and the statement of activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services, support services, and capital outlay. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted money is being spent for the intended purpose. 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 significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund, the Building Fund, and the Technology Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Library as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$57,273	\$43,612
Investments	598,849	550,273
Total Assets	\$656,122	\$593,885
Net Assets		
Restricted for:		
Capital Projects	251,840	200,079
Unrestricted	404,282	393,806
Total Net Assets	\$656,122	\$593,885

As mentioned previously, net assets of governmental activities increased \$62,237 or 10 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- The Library's concerted effort to contain costs and spend carefully to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).
- The Library receives a percentage of the total Warren County LLGSF funds based on a formula considering population, circulation, building and grounds square footage and collection size. The slight increase in our funding percentage from 13.7556% to 14.1961% was due to increased circulation and expansion of our building and grounds square footage, resulting in an additional \$24,699 in 2005.
- The Library was able to save, and then transfer \$100,000 from the General Fund to the Technology Fund at year-end in anticipation of purchase of a new circulation operating system in 2006.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005 compared to 2004 on a modified cash basis.

Charges for Services and Sales	\$21,588	\$24,966
Operating Grants and Contributions	758	1,059
Capital Grants and Contributions	12,538	17,086
Total Program Receipts	<u>34,884</u>	<u>43,111</u>
General Receipts:		
Library and Local Government Support Fund	679,382	654,682
Unrestricted Gifts and Contributions	4,257	1,150
Interest	18,853	9,674
Miscellaneous	196	340
Total General Receipts	<u>702,688</u>	<u>665,846</u>
Total Receipts	<u>737,572</u>	<u>708,957</u>
Disbursements:		
Salaries	339,458	329,471
Employee Fringe Benefits	59,349	57,867
Purchased and Contractual Services	87,921	81,281
Library Materials and Information	103,821	87,776
Supplies	21,103	15,569
Other	3,685	3,944
Capital Outlay	59,998	782,018
Total Disbursements	<u>675,335</u>	<u>1,357,926</u>
Increase (Decrease) in Net Assets	62,237	(648,969)
Net Assets, January 1	<u>593,885</u>	<u>1,242,854</u>
Net Assets, December 31	<u>\$656,122</u>	<u>\$593,885</u>

Program receipts represent only 5 percent of total receipts and are primarily of patron fines and fees, as well as contributions and donations.

General Receipts represent 95 percent of the Library's total receipts (of this amount 97 percent are intergovernmental receipts). Miscellaneous receipts, unrestricted gifts, and interest make up the remaining 3 percent of the Library's General Receipts.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for Library activities. These include the costs of public service programs, facility operation and maintenance, the auditor, the treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

Mary L. Cook Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 31, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Salaries, which account for 50 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
Current		
Salaries	339,458	339,458
Employee Fringe Benefits	59,349	59,349
Purchased and Contracted Services	87,921	87,921
Library Materials and Information	103,821	81,476
Supplies	21,103	21,058
Other	3,685	3,685
Capital Outlay	59,998	59,998
Total Expenses	\$675,335	\$652,945

The dependence upon intergovernmental receipts is apparent as over 97% percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$737,572 and disbursements of \$675,335.

The fund balance of the General Fund increased \$110,476 as a result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF). General Fund receipts were more than disbursements by \$110,476, indicating that efforts to contain costs and limit expenses were successful. \$100,000 was transferred from the General Fund to the Technology Fund at year-end in anticipation of the Library's purchase of a new operating system in 2006. In light of the continued uncertainty regarding the LLGSF, it was decided that a continued reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in the LLGSF funding is reduced or remains stagnant.

Mary L. Cook Public Library
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Unaudited

From the Building Fund \$55,142 was spent in 2005 towards completion of the building addition and remodeling of the existing building.

From the Technology Fund \$10,465 was spent in 2005 for professional computer services and equipment.

General Fund Budgeting Highlights

The Government'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.

During 2005, General Fund final budgeted receipts were more than original budgeted receipts due to increases in Intergovernmental receipts, Contributions, Gifts and Donations, and Earnings on Investments. The difference between final budgeted receipts and actual receipts was significant at 7%.

Final disbursements were budgeted at \$684,933 while actual disbursements were \$617,123. The library held spending below budget by 11%. The result is the increase in General Fund balance of \$110,476 prior to the \$100,000 transfer out to the Technology Fund for 2005.

Capital Assets and Debt Administration

Capital Assets

The Government does not currently keep track of its capital assets and infrastructure

Debt

At December 31, 2005, the Library had no outstanding debt.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. LLGSF funding has been frozen at year 2000 levels since the beginning of the 2001-2003 biennium budget. Warren County libraries divide LLGSF funds according to a formula based on population, circulation, building and grounds square footage and collection size. The slight increase in funding for the Library is due to an increase in circulation and our increased building and grounds square footage.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Maloney, Clerk-Treasurer, Mary L. Cook Public Library, 381 Old Stage Road, Waynesville, Ohio 45068, or email at maloneke@oplin.org.

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$57,273
Investments	<u>598,849</u>
<i>Total Assets</i>	<u><u>656,122</u></u>
Net Assets	
Restricted for:	
Capital Projects	251,840
Unrestricted	<u>404,282</u>
<i>Total Net Assets</i>	<u><u>\$656,122</u></u>

See accompanying notes to the basic financial statements

MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries	\$339,458	\$0	\$0	(\$339,458)
Fringe Benefits	59,349	0	0	(59,349)
Purchased and Contracted Services	87,921	0	0	(87,921)
Library Materials and Information	103,821	21,633	712	(81,476)
Supplies	21,103	0	45	(21,058)
Other	3,685	0	0	(3,685)
Capital Outlay	59,998	0	0	(59,998)
<i>Total Governmental Activities</i>	<u>\$675,335</u>	<u>\$21,633</u>	<u>\$757</u>	(652,945)
		General Receipts		
				4,257
				691,920
				18,853
				152
				<u>715,182</u>
				Change in Net Assets
				<u>62,237</u>
				<i>Net Assets Beginning of Year</i>
				<u>593,885</u>
				<i>Net Assets End of Year</i>
				<u><u>\$656,122</u></u>

See accompanying notes to the basic financial statements

MARY L. COOK PUBLIC LIBRARY

WARREN COUNTY

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	General	Building Fund	Technology Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$55,772	\$1,501	\$0	\$57,273
Investments	348,510	112,981	137,358	598,849
<i>Total Assets</i>	<u>404,282</u>	<u>114,482</u>	<u>137,358</u>	<u>656,122</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	404,282	0	0	404,282
Capital Projects Funds	0	114,482	137,358	251,840
<i>Total Fund Balances</i>	<u>\$404,282</u>	<u>\$114,482</u>	<u>\$137,358</u>	<u>\$656,122</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

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

	General	Building Fund	Technology Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$679,382	\$0	\$0	\$679,382
Patron Fines and Fees	21,588	0	0	21,588
Contributions, Gifts and Donations	5,015	12,538	0	17,553
Earnings on Investments	14,023	3,541	1,289	18,853
Miscellaneous	196	0	0	196
<i>Total Receipts</i>	<u>720,204</u>	<u>16,079</u>	<u>1,289</u>	<u>737,572</u>
Disbursements				
Current:				
Library Services:				
Salaries	339,458	0	0	339,458
Employees Fringe Benefits	59,349	0	0	59,349
Purchased and Contractual Services	80,118	4,610	3,193	87,921
Library Materials and Information	103,821	0	0	103,821
Supplies	21,103	0	0	21,103
Other	3,685	0	0	3,685
Capital Outlay	2,194	50,532	7,272	59,998
<i>Total Disbursements</i>	<u>609,728</u>	<u>55,142</u>	<u>10,465</u>	<u>675,335</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>110,476</u>	<u>(39,063)</u>	<u>(9,176)</u>	<u>62,237</u>
Other Financing Sources (Uses)				
Transfers In	0	0	100,000	100,000
Transfers Out	(100,000)	0	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	10,476	(39,063)	90,824	62,237
<i>Fund Balances Beginning of Year</i>	<u>393,806</u>	<u>153,545</u>	<u>46,534</u>	<u>593,885</u>
<i>Fund Balances End of Year</i>	<u>\$404,282</u>	<u>\$114,482</u>	<u>\$137,358</u>	<u>\$656,122</u>

See accompanying notes to the basic financial statements

**MARY L. COOK PUBLIC LIBRARY
WARREN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis*

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$687,447	\$687,447	\$679,381	(8,066)
Patron Fines and Fees	25,000	25,000	21,588	(3,412)
Contributions, Gifts and Donations	6,000	6,000	5,016	(984)
Earnings on Investments	15,000	15,000	14,023	(977)
Miscellaneous	200	200	196	(4)
<i>Total receipts</i>	<u>733,647</u>	<u>733,647</u>	<u>720,204</u>	<u>(13,443)</u>
Disbursements				
Current:				
Library Services:				
Salaries	360,000	360,000	339,458	20,542
Employees Fringe Benefits	65,180	65,180	59,348	5,832
Purchased and Contracted Services	105,538	105,538	81,056	24,482
Library Materials and Information	121,792	121,792	109,613	12,179
Supplies	22,567	22,567	21,768	799
Other	6,856	6,856	3,686	3,170
Capital Outlay	3,000	3,000	2,194	806
<i>Total Disbursements</i>	<u>684,933</u>	<u>684,933</u>	<u>617,123</u>	<u>67,810</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>48,714</u>	<u>48,714</u>	<u>103,081</u>	<u>54,367</u>
Other Financing (Uses)				
Transfers Out	(200,000)	(200,000)	(100,000)	100,000
<i>Total Other Financing (Uses)</i>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>100,000</u>
<i>Net Change in Fund Balance</i>	(151,286)	(151,286)	3,081	154,367
<i>Fund Balance Beginning of Year</i>	393,806	393,806	393,806	0
Prior Year Encumbrances Appropriated	7,395	7,395	7,395	0
<i>Fund Balance End of Year</i>	<u>\$249,915</u>	<u>\$249,915</u>	<u>\$404,282</u>	<u>\$154,367</u>

See accompanying notes to the basic financial statements

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Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 1 – Description of the Library and Reporting Entity

The Mary L. Cook Public Library (the Library) was organized as a school district public library in 1917 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Wayne Local 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 law. 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 Wayne Local School Board, although the School Board 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 Wayne Local School Board 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 Wayne Local School Board.

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 Wayne Local School District.

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

The Friends of the Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Funds received from the organization are not a significant resource for the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Ohio Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in Note 2 - Summary of Significant Accounting Policies which case GASB prevails. The most significant of the Library's accounting policies are described below.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 - Summary of Significant Accounting Policies (Continued)

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 governmental 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.

The statement of net assets presents the modified 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. Direct disbursements are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

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

B. Fund Accounting

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

Governmental Funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. 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 governmental funds:

General Fund - The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Building and Repair Fund - This fund is used to account for resources restricted to the acquisition, construction, or repair of major capital improvements.

Technology Fund - This fund is used to account for resources restricted to technology upgrades.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Library during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

During 2005, investments were limited to STAR Ohio. Except for STAR Ohio these investments are recorded at cost. STAR Ohio is recorded at share values reported by the mutual fund.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2005 amounted to \$14,023.

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 \$12,539.

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 capital outlay disbursements when paid. These items are not reflected as assets in the accompanying financial statements

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for murals, bricks, pavers, benches, and for use toward Ohioana events.

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

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

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

Note 3 – 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 LLGSF is allocated 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.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no outstanding encumbrances at year end (budgetary basis) for the general fund.

Note 5 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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;

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 - Deposits and Investments (Continued)

3. Written repurchase agreements in 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 two percent and 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;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

STAR Ohio carries a rating of AAAM by Standards and Poor's. The Library has no investment policy dealing with the credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service.

At year end, the Library had \$150.00 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

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

At year end, the carrying amount of the Library's cash deposits was \$57,273 and the bank balance was \$91,774. Of the bank balance \$91,774 was covered by federal depository insurance.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

Investments

The following deposit/investment objectives will be applied in the management of funds of the Mary L. Cook Public Library. The deposit/investment program shall preserve capital and protect investment principle within defined parameters. The deposit/investment program shall maintain sufficient liquidity to meet reasonably anticipated fiscal operating requirements on an on-going basis throughout the fiscal cycle. The deposit/investment program shall strive to attain the best total return or yield on deposited and invested funds of the Library as is reasonable and prudently achievable within defined parameters. All attempts shall be made to minimize risks inherent in investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies.

As of December 31, 2006, the Library had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	<u>\$598,849</u>	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by limiting maturity dates, or average maturity dates, to no more than five (5) years from date of purchase, unless the investment is matched to a specified obligation or debt of the Library, thereby avoiding the need to sell securities on the open market prior to maturity.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 6 - Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors & Omissions
- Fidelity and Deposit

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.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

Mary L. Cook Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2005

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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets.

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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*

Mary L. Cook Public Library
Warren County
381 Old Stage Road
Waynesville, Ohio 45068

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Mary L. Cook Public Library, Warren 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 September 20, 2007, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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 Township. 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 opinions 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.

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 management and 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

September 20, 2007



Mary Taylor, CPA
Auditor of State

MARY L. COOK PUBLIC LIBRARY

WARREN 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
OCTOBER 16, 2007