



**CHILlicothe AND ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Chillicothe and Ross County Public Library
Ross County
140 South Paint Street
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chillicothe and Ross County Public Library, Ross County, Ohio (the Library), as of and for the year ended December 31, 2009, 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, each major fund, and the aggregate remaining fund information of the Chillicothe and Ross County Public Library, Ross County, Ohio, as of December 31, 2009, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year 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 July 15, 2010, 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

July 15, 2010

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

This discussion and analysis of the Chillicothe & Ross County Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$16,976 or 3% from the prior year. This small increase was only obtained by the many cuts that the library made during the year including reducing materials budgets, freezing all non-essential spending, reducing salaries and hours, laying off staff and closing the Northside Branch Library.

The Library's general receipts are primarily state income taxes from the Library and Local Government Support Fund. These funds represent 96.1% of the total cash received for governmental activities during the year. State income tax receipts for 2009 were \$424,814 less than what was received in 2008. In mid 2009, in order to help Ohio's budget shortfall, library funding was cut by 11%. Also, the Public Library Fund was decreased from 2.22% of total state tax revenue to 1.97% of total state tax revenue. The total result of these cuts have caused an 18% loss in funding to Ohio's public libraries in 2009.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, 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 the extent of the Library's debt obligations.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities. Most of the Library's basic services are reported here, including library services, support services, and capital outlay. State income taxes finance most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Library are all considered governmental.

Governmental Funds – 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 information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Capital Project (Building) Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Cash and Cash Equival \$	562,823	\$ 545,847
Investments	20,500	20,500
Total Assets	<u>583,323</u>	<u>566,347</u>
Net Assets		
Restricted for:		
Capital Projects	183,733	204,778
Other Purposes	22,768	23,477
Unrestricted	<u>376,822</u>	<u>338,092</u>
Total Net Assets	<u>\$ 583,323</u>	<u>\$ 566,347</u>

As mentioned previously, net assets of governmental activities increased \$16,976 or 3% during 2009.

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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Table 2 reflects the changes in net assets in 2009 as compared to 2008.

(Table 2)		
Changes in Net Assets		
	Governmental Activities 2009	Governmental Activities 2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 67,231	\$ 71,151
Operating Grants and Contributions	8,471	17,335
Capital Grants and Contributions	50	12,247
Total Program Receipts	75,752	100,733
General Receipts:		
Grants and Entitlements Not Restr. to Specific Programs	2,210,948	2,635,762
Interest	3,934	18,994
Miscellaneous	7,768	18,049
Total General Receipts	2,222,650	2,672,805
Total Receipts	2,298,402	2,773,538
Disbursements:		
Library Services	2,177,513	2,826,033
Capital Outlay	103,913	100,064
Total Disbursements	2,281,426	2,926,097
Increase (Decrease) in Net Assets	16,976	(152,559)
Net Assets, January 1	566,347	718,906
Net Assets, December 31	\$ 583,323	\$ 566,347

Program receipts represent only 3.3% of total receipts and are primarily comprised of patron fines and late fees, charges for copies and prints and restricted contributions for specific library programs such as our annual summer reading program and our Capital Project fund.

General receipts represent 96.7% of the Library's total receipts, and of this amount, over 99.4% are from the Library & Local Government Support Fund. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

If you look at the Statement of Activities on page 10, 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 disbursement for governmental activities is Library Services, which accounts for 95.4% of all governmental disbursements while Capital Outlay accounts for 4.6% of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library 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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Library Services	\$2,177,513	\$2,101,761	\$2,826,033	\$2,725,300
Capital Outlay	103,913	103,913	100,064	100,064
Total Expenses	\$2,281,426	\$2,205,674	\$2,926,097	\$2,825,364

The Library's Funds

Total governmental funds had receipts of \$2,298,402 and disbursements of \$2,281,457.

General Fund receipts were greater than disbursements by \$38,730. This is an improvement from last year but was only made possible by the many cuts that the library and staff endured during 2009.

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 2009, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a decrease in estimates of the Public Library Fund and earnings on investments. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$2,610,457 while actual disbursements were \$2,305,643; the library kept spending below budgeted amounts as demonstrated by the reported variances. In spite of this reduction in spending there was a decrease of (\$13,853) in the General Fund balance for 2009.

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets and Debt Administration

Capital Assets

The Library keeps track of its capital assets in an Excel spreadsheet format; however capital assets are not reflected on the financial statements.

Debt

The Library has no outstanding debt.

Current Issues

With the uncertainty of library funding in the future, the library continues to look for ways to control spending and secure revenue through grants and other avenues. The library placed a 1 mill, 5 year operating levy on the May primary ballot in 2010 to help replace a portion of our lost Public Library Fund revenues. The levy was approved by the voters.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Nanette L. Clary, Fiscal Officer, Chillicothe & Ross County Public Library, PO Box 185, 140 S. Paint Street, Chillicothe, OH 45601.

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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Statement of Net Assets - Modified Cash Basis
December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 562,823
Investments	20,500
<i>Total Assets</i>	<u>\$ 583,323</u>
 Net Assets	
Restricted for:	
Capital Projects	\$ 183,733
Permanent Fund:	
Expendable	1,468
Nonexpendable	20,500
Other Purposes	800
Unrestricted	376,822
<i>Total Net Assets</i>	<u>\$ 583,323</u>

See accompanying notes to the basic financial statements

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2009**

	Program Cash Receipts:				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services	\$ 2,177,513	\$ 67,231	\$ 8,471	\$ 50	\$ (2,101,761)
Capital Outlay	103,913	-	-	-	(103,913)
<i>Total Governmental Activities</i>	\$ 2,281,426	\$ 67,231	\$ 8,471	\$ 50	\$ (2,205,674)
General Receipts					
Grants and Entitlements not Restricted to Specific Programs					\$ 2,210,948
Earnings on Investments					3,934
Miscellaneous					7,768
<i>Total General Receipts</i>					2,222,650
Change in Net Assets					16,976
<i>Net Assets Beginning of Year</i>					566,347
<i>Net Assets End of Year</i>					\$ 583,323

See accompanying notes to the basic financial statements

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009**

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 376,822	\$ 183,733	\$ 2,268	\$ 562,823
Investments	-	-	20,500	20,500
<i>Total Assets</i>	<u>\$ 376,822</u>	<u>\$ 183,733</u>	<u>\$ 22,768</u>	<u>\$ 583,323</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 52,551	\$ 33,143	\$ -	\$ 85,694
Unreserved:				
General Fund	324,271	-	-	324,271
Special Revenue Funds	-	-	800	800
Capital Projects Funds	-	150,590	-	150,590
Permanent Fund	-	-	21,968	21,968
<i>Total Fund Balances</i>	<u>\$ 376,822</u>	<u>\$ 183,733</u>	<u>\$ 22,768</u>	<u>\$ 583,323</u>

See accompanying notes to the basic financial statements

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

***Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009***

	GENERAL FUND	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Library and Local Government Support	\$ 2,166,257	\$ -	\$ -	\$ 2,166,257
Intergovernmental	43,064	-	-	43,064
Patron, Fines and Fees	65,047	-	-	65,047
Contributions, Gifts and Donations	6,113	50	3,985	10,148
Earnings on Investments	1,357	-	2,577	3,934
Miscellaneous	9,952	-	-	9,952
Total Receipts	2,291,790	50	6,562	2,298,402
Disbursements				
Current:				
Library Services	2,170,242	-	7,271	2,177,513
Capital Outlay	82,818	21,095	-	103,913
Total Disbursements	2,253,060	21,095	7,271	2,281,426
Net Change in Fund Balances	38,730	(21,045)	(709)	16,976
Fund Balances Beginning of Year	338,092	204,778	23,477	566,347
Fund Balances End of Year	<u>\$ 376,822</u>	<u>\$ 183,733</u>	<u>\$ 22,768</u>	<u>\$ 583,323</u>

See accompanying notes to the basic financial statements

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$ 2,455,120	\$ 2,162,745	\$ 2,166,257	\$ 3,512
Intergovernmental	-	43,064	43,064	-
Patron, Fines and Fees	65,000	62,000	65,047	3,047
Contributions, Gifts and Donations	3,500	4,625	6,113	1,488
Earnings on Investments	10,000	2,000	1,357	(643)
Miscellaneous	3,500	7,100	9,952	2,852
<i>Total receipts</i>	<u>2,537,120</u>	<u>2,281,534</u>	<u>2,291,790</u>	<u>10,256</u>
Disbursements				
Current:				
Library Services	2,734,548	2,360,727	2,190,715	170,012
Capital Outlay	131,495	175,145	114,928	60,217
<i>Total Disbursements</i>	<u>2,866,043</u>	<u>2,535,872</u>	<u>2,305,643</u>	<u>230,229</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(328,923)</u>	<u>(254,338)</u>	<u>(13,853)</u>	<u>240,485</u>
Other Financing Sources (Uses)				
Other Financing Uses	-	(74,585)	-	74,585
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(74,585)</u>	<u>-</u>	<u>74,585</u>
<i>Net Change in Fund Balance</i>	(328,923)	(328,923)	(13,853)	315,070
<i>Unencumbered Cash Balance Beginning of Year</i>	253,788	253,788	253,788	-
Prior Year Encumbrances Appropriated	84,334	84,334	84,334	-
<i>Unencumbered Cash Balance End of Year</i>	<u>\$ 9,199</u>	<u>\$ 9,199</u>	<u>\$ 324,269</u>	<u>\$ 315,070</u>

See accompanying notes to the basic financial statements

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**CHILlicothe & ROSS COUNTY PUBLIC LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1 – Description of the Library and Reporting Entity

The Chillicothe & Ross County Public Library was organized under the laws of the State of Ohio. The Library has its own Board of Trustees made up of seven members. Four who are appointed by the Ross County Commissioners and three who are appointed by the Ross County Common Pleas Judge. 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 that of the Fiscal Officer.

The Library is fiscally independent although the Ross County Commissioners serve as the taxing authority for the Library. The determination to request approval of a tax levy or bond issue and the role and purpose(s) of them, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Ross County Commissioners must put the tax levy or bond issue on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Ross County Commissioners.

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 Chillicothe & Ross County Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The resources the Library receives from the Friends of the Library is not significant in amount to the Library. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Chillicothe and Ross County 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. The most significant of the Library's accounting policies are described below.

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

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.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These distinguish between those activities of the Library that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

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

2. 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. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

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

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 2 Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' 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 and character or major category of the object 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 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. 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

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

CHILlicothe & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents (Continued)

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

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

During 2009 investments were limited to money market funds, STAR Ohio, nonnegotiable certificates of deposit and shares of common stock that were left to the Library as a restricted donation. Except for the money market fund and STAR Ohio these investments are recorded at cost, except for common stock, which is valued at its market value as of the date donated.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank.

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, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General fund during 2009 amounted to \$1,357.

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. The Library had no restricted assets during 2009.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 2 Summary of Significant Accounting Policies (Continued)

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

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

M. Net Assets

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

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.

N. Fund Balance Reserves

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

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

The Library had no interfund transactions in 2009.

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 (modified cash basis). The encumbrances outstanding at year end amounted to \$85,694.43 for all funds.

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;
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;

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 4 – Deposits and Investments (Continued)

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 \$175 in (petty cash and drawer change) undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$330,328 of the Library's bank balance of \$580,328 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk 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.

B. Investments

As of December 31, 2009, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Culp Fund Common Stock (Penn. Power & Light Company, Fair Market Value - \$51,696.00 12/31/09)	\$10,500	N/A
Schlegel Fund CD (Huntington National Bank)	10,000	12/18/2010
Total Investments	\$ 20,500	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The money market fund at Huntington National Bank is a depository account that is collateralized. 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.

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 5 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Library contracted with Cincinnati Insurance Company (Weisenberger Insurance Service) and The Ohio Plan (Rinehart, Walters & Danner) for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
The Ohio Plan	Blanket Building & Commercial Property	\$5,417,534
The Ohio Plan	General Liability	\$4,000,000
The Ohio Plan	Vehicle	\$2,000,000
The Ohio Plan	Inland Marine	\$324,119
The Ohio Plan	Library Officials	\$4,000,000
Cincinnati Insurance Company	Clerk/Deputy Bonds	\$25,000/ea.
The Ohio Plan	Blanket Empl. Bond	\$5,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library provides health, life, dental and vision insurance to eligible employees through a private carrier.

Note 6 – Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF monies to each county based on the county's prior intangibles tax 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 7 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS) which has authority to establish and amend benefits as provided in Chapter 145 of the Ohio Revised Code. OPERS administers three separate pension plans. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan,

**CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 7 - Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefits (OPEB).

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2009 local governments, including the library contributed at a rate of 14.00% of covered payroll. The portion of employer contributions allocated to health care was 7% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

The 2009 member contribution rates were 10.0% for members in state and local classifications.

The ORC provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2008.

Funding Method – The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2008 was 6.50%.

Active Employee Total Payroll – An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 3% for the next 6 years. In subsequent years, (7 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

CHILLICOTHE & ROSS COUNTY PUBLIC LIBRARY
ROSS COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 8 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB).

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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 2009 local government employer contribution rate was 14.00% of covered payroll.

The number of active contributing participants in the traditional and combined plans was 357,584 as of 12/31/2009. Actual employer contributions for 2009 which were used to fund postemployment benefits were

\$26,947.82 for January 1 through March 31, 2010 and \$48,019.57 for April 1 through December 31, 2010. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The Actuarial Valuation as of December 31, 2008, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective on January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy in writing to OPERS, Attention: Finance Director, 277 E. Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Note 9 – Debt

The Library has no outstanding debt.

Note 10 – Subsequent Events

In May 2010, voters approved a five year 1 mill operating levy.



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*

Chillicothe and Ross County Public Library
Ross County
140 South Paint Street
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chillicothe and Ross County Public Library, Ross County, Ohio (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 15, 2010, 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 Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

July 15, 2010



Mary Taylor, CPA
Auditor of State

CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY

ROSS 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
AUGUST 31, 2010**