



Dave Yost • Auditor of State

LICKING COUNTY LIBRARY
LICKING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Licking County Library
Licking County
101 West Main St
Newark, Ohio 43055

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 Licking County Library, Licking County, Ohio (the Library) as of and for the years ended December 31, 2010 and 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking County Library, Licking County, Ohio, as of December 31, 2010 and 2009, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2010 and 2009, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

August 10, 2011

**LICKING COUNTY LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
UNAUDITED**

The discussion and analysis of the Licking County Library's (the Library) financial performance provides an overview of the Library's financial activities for the years ended December 31, 2010 and 2009, within the limitations of the Library's cash basis of accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole.

Highlights

Key financial highlights for 2010 are as follows:

- General receipts accounted for \$2,404,809 or 96 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$110,130 or 4 percent of total receipts.
- Net assets decreased by \$193,025 or 24 percent. The funds most affected by the decrease in assets were the General Fund due to spending cash reserves to maintain operations and the Criss Fund being utilized for payments for the property at 111 West Main Street, Newark, Ohio.
- The Library also experienced a \$152,363 or 6 percent decrease in the Public Library Fund (PLF) due to legislative changes made in 2009.

Key financial highlights for 2009 are as follows:

- General receipts accounted for \$2,915,936 or 96 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$108,148 or 4 percent of total receipts.
- Net assets increased by \$119,170 or 18 percent. The fund most affected by the increase in assets was the General Fund due to a grant received from the Licking County Foundation.
- The Library experienced a \$645,221, or 20 percent, decrease in the PLF due to legislation that temporarily changed the PLF from 2.22 percent to 1.97 percent of the State of Ohio's General Revenue Fund starting in August 2009, in addition to the downturn in the State of Ohio's Tax Receipts.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Library's financial position. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis provides information about the activities of the Library as a whole, presenting an aggregate view of the Library's finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements report the Library's most significant funds individually and the Library's non-major funds in a single column. The Library's major funds are the General Fund, Building & Repair Fund, and the Criss Fund.

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's 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 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 cash basis of accounting.

Reporting the Library as a Whole

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis reflect how the Library did financially during 2010 and 2009. These two statements report the Library's net assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the Library as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. These factors must be considered when assessing the overall health of the Library.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including general public services, purchases and contracted services, library materials and information, and capital outlay. These services are primarily funded by intergovernmental and public library fund receipts.

Reporting the Library's Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the Library's major funds, the General Fund, Building & Repair Fund, and Criss Fund. While the Library uses many funds to account for its financial transactions, these are the most significant.

The Library's activities are reported in the fund financial statements, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported on a cash basis of accounting. The fund financial statements provide a short-term view of the Library's general government operations and the basic services being provided. Fund financial statements help the user to determine whether there are more or fewer financial resources that can be spent in the future to finance library programs.

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**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 2010 compared to 2009 and 2009 as compared to 2008.

Table 1
Net Assets - Cash Basis

Governmental Activities			
	2010	2009	2008
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 600,973	\$ 793,998	\$ 674,827
Total Assets	\$ 600,973	\$ 793,998	\$ 674,827
 Net Assets			
Restricted for:			
Capital Projects	\$ 283,742	\$ 286,985	\$ 302,925
Permanent Fund Purpose			
Expendable	3,995	3,993	7,917
Nonexpendable	69,266	69,266	69,266
Other Purposes	38,254	98,607	158,357
Unrestricted	205,716	335,147	136,362
Total Net Assets	\$ 600,973	\$ 793,998	\$ 674,827

Net assets of governmental activities decreased by \$193,025 or 24 percent during 2010 compared to 2009. The decrease can be attributed to the continued deterioration of the PLF and the overall increased pressure on the Library's budget to do more with less.

Net assets of governmental activities increased by \$119,170 or 18 percent during 2009 compared to 2008. The increase was due to the Board of Trustees adopting a conservative view on expenses and a grant received from the Licking County Foundation.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2 shows the changes in net assets for the years ended December 31, 2010, December 31, 2009, and December 31, 2008.

Table 2
Changes in Net Assets - Cash Basis

	Governmental Activities		
	2010	2009	2008
Receipts:			
Program Cash Receipts			
Charges for Services and Sales	\$ 100,740	\$ 106,179	\$ 125,300
Operating Grants and Contributions	9,390	1,969	8,111
Total Program Cash Receipts	110,130	108,148	133,411
General Receipts			
Public Library Funds	2,365,134	2,517,497	3,162,718
Grants and Entitlements - Not Restricted	0	336,099	300,000
Interest	609	1,963	25,618
Miscellaneous Receipts	39,066	60,377	40,211
Total General Receipts	2,404,809	2,915,936	3,528,547
Total Receipts	\$ 2,514,939	\$ 3,024,084	\$ 3,661,958
Disbursements:			
Library Services:			
Public Service and Programs	\$ 1,431,782	1,604,180	2,208,867
Collection Development and Processing	415,198	443,659	802,104
Support Services:			
Facilities Operation and Maintenance	286,821	315,071	419,959
Information Services	118,307	119,666	141,467
Business Administration	392,599	351,809	515,618
Capital Outlay	63,257	70,529	111,505
Total Disbursements	\$ 2,707,964	\$ 2,904,914	\$ 4,199,520
Increase (Decrease) in Net Assets	\$ (193,025)	\$ 119,170	\$ (537,562)
Net Assets, January 1	793,998	674,828	1,212,390
Net Assets, December 31	\$ 600,973	\$ 793,998	\$ 674,828

Program receipts are primarily comprised of patron fines and fees, operating grants, contributions and donations.

General receipts represented 96 percent of the Library's overall receipts in both 2010 and 2009. Receipts from the PLF represented 98 percent of the general receipts in 2010 and 86 percent of the general receipts in 2009. As the PLF represented a significant portion of the Library's total receipts in these years, decreases in this funding source from the State have had substantial impact on the services the Library has been able to provide.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services and business administration represent the cost of operating the Library. Total disbursements decreased 7 percent in 2010 due to reduced salaries and benefits for the Library's employees. Total disbursements decreased 31 percent in 2009 driven by significant reductions-in-force during the fourth quarter of 2008, reduction in materials purchased, and reduction of operating hours.

Governmental Activities

On the Statement of Activities on pages 12 and 17, 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 Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, and Capital Outlay. The next two columns of the statement entitled Program 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 those services supported by unrestricted general receipts. 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
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Table 3
Governmental Activities - Cash Basis

	Total Cost of Services 2010	Net Cost of Services 2010
Library Services		
Public Service and Program	\$ 1,431,782	\$1,321,652
Collection Development and Processing	415,198	415,198
Support Services		
Facilities Operation and Maintenance	286,821	286,821
Information Services	118,307	118,307
Business Administration	392,599	392,599
Capital Outlay	63,257	63,257
Total Disbursements	\$ 2,707,964	\$ 2,597,834
	Total Cost of Services 2009	Net Cost of Services 2009
Library Services		
Public Service and Program	\$ 1,604,180	\$1,496,032
Collection Development and Processing	443,659	443,659
Support Services		
Facilities Operation and Maintenance	315,071	315,071
Information Services	119,666	119,666
Business Administration	351,809	351,809
Capital Outlay	70,529	70,529
Total Disbursements	\$ 2,904,914	\$2,796,766
	Total Cost of Services 2008	Net Cost of Services 2008
Library Services		
Public Service and Program	\$ 2,208,867	\$2,075,456
Collection Development and Processing	802,104	802,104
Support Services		
Facilities Operation and Maintenance	419,959	419,959
Information Services	141,467	141,467
Business Administration	515,618	515,618
Capital Outlay	111,505	111,505
Total Disbursements	\$ 4,199,520	\$4,066,109

**LICKING COUNTY LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
UNAUDITED**

The Library's Funds

The Library's governmental fund financial statements are accounted for using the cash basis of accounting. The Library's major governmental funds are the General Fund, the Building and Repair Fund, and the Criss Fund. During 2010, fund balance decreases were reflected in the amounts of \$129,429 in the General Fund, of \$3,243 in the Building and Repair Fund, and of \$60,019 in the Criss Fund. The larger changes in fund balance in the General Fund can be attributed to an increased use of carryover money for operations. The decrease in the Criss Fund is attributed to the payments for the property at 111 West Main Street, Newark, Ohio being paid for from the Criss Fund, while the decrease in the Building and Repair Fund were related to increased repair costs needed for the Library relating to the new HVAC system.

In comparison, during 2009, the General Fund balance increased \$198,785 due to the receipt of \$336,099 in grant revenues from the Licking County Foundation. The fund balance decreases in the Building and Repair Fund and Criss Fund in 2009 were \$15,940 and \$59,427, respectively. The decrease in the Criss Fund is attributed to the payments for the property at 111 West Main Street, Newark, Ohio being paid for from the Criss Fund, while the decrease in the Building and Repair Fund were related to costs for the installation of a new HVAC system.

General Fund Budgeting Highlights

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

During the course of both 2010 and 2009, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

Capital Assets and Debt Administration

Capital Assets

The Library does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Library had capital outlay disbursements of \$63,257 and \$70,529 during 2010 and 2009, respectively.

Debt Administration

The Library had no outstanding debt at December 31, 2010 or 2009.

Economic Factors

Funding from the State of Ohio for the Public Library Fund changed in August 2009 from 2.22 percent of the State of Ohio's General Revenue Fund to 1.97 percent. The lower percentage of revenue and the continued decline in Ohio's economy resulted in lower revenues in 2010 and 2009 compared to 2008. The Library has decreased disbursements in many areas of the budget while still trying to provide some level of service and programs through each of the Library's locations and outreach services. The Board of Trustees and Library administration faced difficult decisions as the Library continued in an era of uncertain funding levels.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
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Current Issues

The local voters supported the passage of the Library's first operating levy in 2010, with receipts through the property tax to begin in 2011. The operating funds provided by the levy will allow the Library to reinstate some previously reduced services and programs. However, the challenge for all Libraries is to provide quality services to the public while the future of the PLF, which is heavily relied on for funding, is uncertain.

Request for Information

This financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Sandra Lodge, Fiscal Officer, 101 West Main Street, Newark, Ohio 43055.

LICKING COUNTY LIBRARY
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STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalentts	\$ 600,973
Total Assets	<u>600,973</u>
Net Cash Assets:	
Restricted for:	
Capital Projects	283,742
Permanent Fund Purposes:	
Expendable	3,995
Nonexpendable	69,266
Other Purposes	38,254
Unrestricted	<u>205,716</u>
Total Net Assets	<u>\$ 600,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
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**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Cash</u>
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Disbursements)</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Cash Receipts and</u>
				<u>Changes in</u>
				<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Library Services:				
Public Service and Programs	\$ 1,431,782	\$ 100,740	\$ 9,390	\$ (1,321,652)
Collection Development & Processing	415,198	-	-	(415,198)
Support Services:				
Facilities Operation and Maintenance	286,821	-	-	(286,821)
Information Services	118,307	-	-	(118,307)
Business Administration	392,599	-	-	(392,599)
Capital Outlay	63,257	-	-	(63,257)
Total Governmental Activities	<u>\$ 2,707,964</u>	<u>\$ 100,740</u>	<u>\$ 9,390</u>	<u>(2,597,834)</u>
General Receipts:				
				2,365,134
				609
				<u>39,066</u>
				Total General Receipts <u>2,404,809</u>
				Change in Net Assets (193,025)
				Net Assets, Beginning of Year <u>793,998</u>
				Net Assets, End of Year <u>\$ 600,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
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**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Criss Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 205,716	\$ 283,742	\$ 38,254	\$ 73,261	\$ 600,973
Total Assets	<u>\$ 205,716</u>	<u>\$ 283,742</u>	<u>\$ 38,254</u>	<u>\$ 73,261</u>	<u>\$ 600,973</u>
Fund balances:					
Reserved for Encumbrances	14,701	-	-	-	14,701
Unreserved, Undesignated, Reported In:					
General fund	191,015	-	-	-	191,015
Special Revenue Funds	-	-	38,254	-	38,254
Capital Projects Funds	-	283,742	-	-	283,742
Permanent Funds	-	-	-	73,261	73,261
Total Fund Balances	<u>205,716</u>	<u>283,742</u>	<u>38,254</u>	<u>73,261</u>	<u>600,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
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**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Criss Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 434	\$ -	\$ -	\$ -	\$ 434
Public Library Fund	2,365,134	-	-	-	2,365,134
Patrons Fines and Fees	95,096	-	-	-	95,096
Services provided to other entities	5,210	-	-	-	5,210
Contributions, Gifts and Donations	9,390	-	-	-	9,390
Earnings on Investment	168	302	58	81	609
Miscellaneous	39,066	-	-	-	39,066
Total Cash Receipts	<u>2,514,498</u>	<u>302</u>	<u>58</u>	<u>81</u>	<u>2,514,939</u>
Disbursements:					
Current:					
Library Services:					
Public Service and Programs	1,431,782	-	-	-	1,431,782
Collection Development and Processing	415,198	-	-	-	415,198
Support Services:					
Facilities Operation and Maintenance	283,276	3,545	-	-	286,821
Information Services	118,307	-	-	-	118,307
Business Administration	392,599	-	-	-	392,599
Capital Outlay	3,180	-	60,077	-	63,257
Total Cash Disbursements	<u>2,644,342</u>	<u>3,545</u>	<u>60,077</u>	<u>-</u>	<u>2,707,964</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>(129,844)</u>	<u>(3,243)</u>	<u>(60,019)</u>	<u>81</u>	<u>(193,025)</u>
Other Financing Sources (Uses):					
Transfers In	415	-	-	-	415
Transfers (Out)	-	-	-	(415)	(415)
Total Other Financing Receipts (Disbursements)	<u>415</u>	<u>-</u>	<u>-</u>	<u>(415)</u>	<u>-</u>
Net Change In Fund Balances	(129,429)	(3,243)	(60,019)	(334)	(193,025)
Fund Balances, Beginning of Year	<u>335,145</u>	<u>286,985</u>	<u>98,273</u>	<u>73,595</u>	<u>793,998</u>
Fund Balances, End of Year	<u>\$ 205,716</u>	<u>\$ 283,742</u>	<u>\$ 38,254</u>	<u>\$ 73,261</u>	<u>\$ 600,973</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
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**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 550	\$ 394	\$ 434	\$ 40
Public Library Fund	2,285,573	2,318,053	2,365,134	47,081
Patrons Fines and Fees	101,201	96,573	95,096	(1,477)
Intergovernmental	5,210	5,210	5,210	-
Contributions, Gifts and Donations	1,500	3,850	9,390	5,540
Earnings on Investment	100	178	168	(10)
Miscellaneous	36,500	35,215	39,066	3,851
Total Receipts	<u>2,430,634</u>	<u>2,459,473</u>	<u>2,514,498</u>	<u>55,025</u>
Disbursements:				
Current:				
Library Services:				
Public Service and Programs	1,443,847	1,455,671	1,430,791	24,880
Collection Development and Processing	421,257	431,129	415,198	15,931
Support Services:				
Facilities Operation and Maintenance	315,433	319,783	283,276	36,507
Information Services	116,075	120,004	118,307	1,697
Business Administration	370,158	409,566	393,593	15,973
Capital Outlay	1,500	4,006	3,180	826
Total Disbursements	<u>2,668,270</u>	<u>2,740,159</u>	<u>2,644,345</u>	<u>95,814</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(237,636)</u>	<u>(280,686)</u>	<u>(129,847)</u>	<u>150,839</u>
Other Financing Sources (Uses):				
Transfers In	<u>75,415</u>	<u>415</u>	<u>415</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>75,415</u>	<u>415</u>	<u>415</u>	<u>-</u>
Net Change In Fund Balance	(162,221)	(280,271)	(129,432)	150,839
Fund Balance, Beginning of Year	289,984	289,984	289,984	-
Prior Year Encumbrances Appropriated	45,163	45,163	45,163	-
Fund Balance, End of Year	<u>\$ 172,926</u>	<u>\$ 54,876</u>	<u>\$ 205,715</u>	<u>\$ 150,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LICKING COUNTY LIBRARY
LICKING COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 793,998
Total Assets	<u>793,998</u>
Net Cash Assets:	
Restricted for:	
Capital Projects	286,985
Permanent Fund Purposes:	
Expendable	3,993
Nonexpendable	69,266
Other Purposes	98,607
Unrestricted	<u>335,147</u>
Total Net Assets	<u>\$ 793,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Cash Disbursements) Cash Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Library Services:				
Public Service and Programs	\$ 1,604,180	\$ 106,179	\$ 1,969	\$ (1,496,032)
Collection Development & Processing	443,659	-	-	(443,659)
Support Services:				
Facilities Operation and Maintenance	315,071	-	-	(315,071)
Information Services	119,666	-	-	(119,666)
Business Administration	351,809	-	-	(351,809)
Capital Outlay	70,529	-	-	(70,529)
Total Governmental Activities	<u>\$ 2,904,914</u>	<u>\$ 106,179</u>	<u>\$ 1,969</u>	<u>(2,796,766)</u>
General Receipts:				
				Public Library Funds 2,517,497
				Grants and Entitlements Not
				Restricted to Specific Programs 336,099
				Interest 1,963
				Miscellaneous <u>60,377</u>
				Total General Receipts <u>2,915,936</u>
				Change in Net Assets 119,170
				Net Assets, Beginning of Year <u>674,828</u>
				Net Assets, End of Year <u>\$ 793,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Criss Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 335,145	\$ 286,985	\$ 98,273	\$ 73,595	\$ 793,998
Total Assets	<u>\$ 335,145</u>	<u>\$ 286,985</u>	<u>\$ 98,273</u>	<u>\$ 73,595</u>	<u>\$ 793,998</u>
Fund balances:					
Reserved for Encumbrances	45,163	-	-	-	45,163
Unreserved, Undesignated, Reported In:					
General fund	289,982	-	-	-	289,982
Special Revenue Funds	-	-	98,273	335	98,608
Capital Projects Funds	-	286,985	-	-	286,985
Permanent Funds	-	-	-	73,260	73,260
Total Fund Balances	<u>\$ 335,145</u>	<u>\$ 286,985</u>	<u>\$ 98,273</u>	<u>\$ 73,595</u>	<u>\$ 793,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Criss Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 528	\$ -	\$ -	\$ -	\$ 528
Public Library Fund	2,517,497	-	-	-	2,517,497
Patrons Fines and Fees	98,579	-	-	-	98,579
Services provided to other entities	7,072	-	-	-	7,072
Contributions, Gifts and Donations	1,621	-	348	-	1,969
Intergovernmental Revenue	336,099	-	-	-	336,099
Earnings on Investment	660	764	335	204	1,963
Miscellaneous	60,377	-	-	-	60,377
Total Cash Receipts	<u>3,022,433</u>	<u>764</u>	<u>683</u>	<u>204</u>	<u>3,024,084</u>
Disbursements:					
Current:					
Library Services:					
Public Service and Programs	1,604,180	-	-	-	1,604,180
Collection Development and Processing	443,659	-	-	-	443,659
Support Services:					
Facilities Operation and Maintenance	308,156	6,915	-	-	315,071
Information Services	119,666	-	-	-	119,666
Business Administration	351,627	72	110	-	351,809
Capital Outlay	812	9,717	60,000	-	70,529
Total Cash Disbursements	<u>2,828,100</u>	<u>16,704</u>	<u>60,110</u>	<u>-</u>	<u>2,904,914</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	<u>194,333</u>	<u>(15,940)</u>	<u>(59,427)</u>	<u>204</u>	<u>119,170</u>
Other Financing Sources (Uses):					
Transfers In	4,452	-	-	-	4,452
Transfers (Out)	-	-	-	(4,452)	(4,452)
Total Other Financing Receipts (Disbursements)	<u>4,452</u>	<u>-</u>	<u>-</u>	<u>(4,452)</u>	<u>-</u>
Net Change In Fund Balances	198,785	(15,940)	(59,427)	(4,248)	119,170
Fund Balances, Beginning of Year	<u>136,360</u>	<u>302,925</u>	<u>157,700</u>	<u>77,843</u>	<u>674,828</u>
Fund Balances, End of Year	<u>\$ 335,145</u>	<u>\$ 286,985</u>	<u>\$ 98,273</u>	<u>\$ 73,595</u>	<u>\$ 793,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$ 685	\$ 547	\$ 528	\$ (19)
Public Library Fund	3,031,401	2,701,115	2,853,596	152,481
Patrons Fines and Fees	115,000	106,161	98,579	(7,582)
Intergovernmental	7,072	7,072	7,072	-
Contributions, Gifts and Donations	3,035	1,445	1,621	176
Earnings on Investment	3,100	881	660	(221)
Miscellaneous	39,740	56,202	60,377	4,175
Total Receipts	<u>3,200,033</u>	<u>2,873,423</u>	<u>3,022,433</u>	<u>149,010</u>
Disbursements:				
Current:				
Library Services:				
Public Service and Programs	1,664,934	1,616,910	1,604,180	12,730
Collection Development and Processing	662,066	460,461	443,659	16,802
Support Services:				
Facilities Operation and Maintenance	380,955	355,389	308,156	47,233
Information Services	123,930	121,313	119,666	1,647
Business Administration	412,232	391,345	351,627	39,718
Capital Outlay	7,000	1,540	-	1,540
Total Disbursements	<u>3,251,117</u>	<u>2,946,958</u>	<u>2,827,288</u>	<u>119,670</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(51,084)</u>	<u>(73,535)</u>	<u>195,145</u>	<u>268,680</u>
Other Financing Sources:				
Transfers In	<u>4,452</u>	<u>4,452</u>	<u>4,452</u>	<u>-</u>
Total Other Financing Sources	<u>4,452</u>	<u>4,452</u>	<u>4,452</u>	<u>-</u>
Net Change In Fund Balance	(46,632)	(69,083)	199,597	268,680
Fund Balance, Beginning of Year	123,473	123,473	123,473	-
Prior Year Encumbrances Appropriated	12,887	12,887	12,887	-
Fund Balance, End of Year	<u>\$ 89,728</u>	<u>\$ 67,277</u>	<u>\$ 335,957</u>	<u>\$ 268,680</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Note 1 – Description of the Library and Reporting Entity

The Licking County Library (the Library) was organized as a county district public library in August 2008 under the laws of the State of Ohio. Previously the Library was organized as a school district public library in 1908 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Licking County Commissioners and the Licking County Common Pleas Court. 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 Fiscal Officer.

The Library is fiscally independent of Licking County, although the County 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 Licking County Commissioners 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 Licking County.

Under the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," and No. 39, "Determining Whether Certain Organizations are Component Units – An Amendment of GASB No. 14", the Library has no related organizations, jointly governed organizations, or component units.

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.

Public Entity Risk Pool

The Library participates in one public entity risk pool, the Oasis Trust (the "Trust"). The Trust has a Dental Program which is a shared risk pool comprised of approximately 90 entities, most of which are school districts. The Library provides dental coverage through the Trust. The Trust is governed by an Administrative Committee of five representatives elected by the Committee. The Committee members remain on the Committee until resignation. The Committee exercises control over the operation of the Trust. All Trust revenues are generated from charges for services.

The Mary E. Babcock Friends, Inc. and the Buckeye Lake Friends Group are not-for-profit organizations with a self-appointing board. The Library is not financially accountable for the organizations, nor does the Library approve the budget or the issuance of debt of the organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 1 – Description of the Library and Reporting Entity (continued)

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 Licking County Library have been prepared on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the Library as a whole. These statements include the financial activity of the primary government.

The Statement of Net Assets presents the cash and investment balances 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 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 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 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 fund types.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds: Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. 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 major governmental funds:

General Fund - This 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.

Building and Repair Fund - This fund accounts for monies set aside by the Board of Library Trustees designated for the repair of the main library and library branches.

Criss Fund – This fund accounts for an expendable trust established in 2002 with the estate of Margeret Criss for the purposes of providing library services to the residents of Licking County, Ohio.

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 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 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, other than agency funds, are legally required to be appropriated. The appropriations resolution is the Board of Library Trustee's authorization to spend resources and sets annual 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. Budgetary modifications at the legal level of control may only be made by resolution of the Board. The Fiscal Officer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the 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. Individual fund integrity is maintained through the Library's records. The Library followed Ohio Statutes for the allocation of interest earnings among the Library's funds. All funds received interest based on a prorated share of the pools fund balance at the time of the receipt of interest. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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

During 2010, investments were limited to STAR Ohio. 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, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2010 amounted to \$168 and \$660 in 2009, none of which assigned from other funds.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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 represent donations made for specific purpose. The Library had no restricted assets at December 31, 2010 and 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. 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 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's 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.

L. 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 those in the Building and Repair Fund, Criss Fund, Banton Fund, and Thomas Fund.

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.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

M. 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.

N. 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 – Public Library Funds

The primary source of revenue for Ohio Public Libraries is the Public Library Fund (PLF). The PLF is 2.22 percent of the State of Ohio's General Revenue Fund. The PLF was temporarily reduced to 1.97 percent in August 2009 by the State for its fiscal 2010 and 2011 biennium budget. The PLF is allocated to each county based on the county's prior year PLF and its population. The County Budget Commission allocated 62 percent of these funds to the Library based on the percentage allocation agreement created by the five public library districts in the county. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenue the Library receives. For 2010 and 2009, the Library received \$2,365,134 and \$2,517,497 in Public Library Funds, respectively.

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 – Budget 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 cash basis is outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$14,701 and \$45,163 for the years end December 31, 2010 and 2009, respectively.

Note 5 – 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.

**LICKING COUNTY LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 5 – Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (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 December 31, 2010 and 2009, the Library had \$1,214 and \$1,161, respectively, in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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 December 31, 2010 and 2009, the Library's bank balances of \$289,217 and \$192,036, respectively, were fully insured by FDIC.

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 5 - Deposits and Investments (continued)

Deposits (continued)

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

As of December 31, 2010 and 2009, the Library only had investments with Star Ohio with carrying values of \$402,005 and \$631,416, respectively, of which all investments mature in less than one year.

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 requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 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 2010 and 2009, the Library contracted with several companies for various types of insurance coverage as follows:

**LICKING COUNTY LIBRARY
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 6 - Risk Management (continued)

Company	Type of Coverage	Amount of Coverage
Motorist Mutual	Property	\$ 13,973,964
	General Liability	\$ 1,000,000
	Commercial Crime	\$5,000 each location
	Inland Marine	\$ 4,895,206
	Vehicle	\$ 1,000,000
	Employee Dishonesty	\$ 150,000
	Employee Benefits	\$ 1,000,000
	Employer Stop Gap	\$ 1,000,000
	Umbrella	\$ 2,000,000
Philadelphia Indemnity	Director & Officer	\$ 1,000,000
	Employment Practices	\$ 1,000,000

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

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2010 and 2009, members in state and local classifications contributed 10 percent of covered payroll. The Library's contribution rate for pension benefits for 2010 and 2009 was 14 percent.

The Library's required contributions for pension obligations for all plans for the years ended December 31, 2010, 2009, and 2008 were \$165,471, \$164,728, and \$249,486 respectively; the full amount has been contributed for 2010, 2009, and 2008.

**LICKING COUNTY LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 8 - Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010 and 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$58,138, \$57,887, and \$78,785 respectively; 100 percent has been contributed for 2010, 2009 and 2008.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006. January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 9 – Other Employee Benefits

Insurance Benefits – The Library provides life insurance to regular full time and part time employees. The Library offers medical and vision coverage to regular full time and part time employees through Willis. Regular full time and part time employees may purchase dental coverage through Oasis Trust.

**LICKING COUNTY LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Continued)**

Note 9 – Other Employee Benefits (continued)

Deferred Compensation – Employees of the Library may elect to participate in the Ohio Public Employees Deferred compensation Plan. Under this program, employees elect to defer a portion of their pay. The deferred pay, and any income earned on it, are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseen emergency.

Note 10 – Leases

The Library leases equipment under noncancelable leases. The Library disbursed \$26,172 to pay lease costs for each of the years ended December 31, 2010 and 2009. Future lease payments are as follows:

Year	Amount
2011	\$ 15,166
Total	<u>\$ 15,166</u>

Note 11 – Change in Basis of Accounting

In 2007 and 2008, the Library reported fund financial statements by fund type using the regulatory basis of accounting as presented by the State Auditor’s Office. In 2009 and 2010, the Library has implemented the cash basis of accounting described in Note 2C. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 12 – Subsequent Event

The Library passed a \$1 mill operating levy in November 2010, which collections will begin in January 2011.

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Dave Yost • Auditor of State

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

Licking County Library
Licking County
101 West Main Street
Newark, Ohio 43055

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 the Licking County Library, Franklin County, Ohio (the Library) as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 10, 2011, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's 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.

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 did note a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated August 10, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 10, 2011



Dave Yost • Auditor of State

LICKING COUNTY LIBRARY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2011