



**Auditor of State
Betty Montgomery**

BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY

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**Auditor of State
Betty Montgomery**

Blanchester Public Library
Clinton County
110 N. Broadway
Blanchester, Ohio 45107

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

September 29, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Public Library
Clinton County
110 N. Broadway
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the accompanying financial statements of Blanchester Public Library, Clinton County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2005. Instead of the combined funds the accompanying financial statements present for 2005 and 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Government does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Blanchester Public Library, Clinton County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2005. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 29, 2006

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$498,523	\$102,550	\$0	\$601,073
Other Government Grants-In-Aid	0	9,856	0	9,856
Patron Fines and Fees	10,930	0	0	10,930
Earnings on Investments	1,842	0	572	2,414
Contributions, Gifts and Donations	650	0	0	650
Miscellaneous Receipts	3,171	0	0	3,171
	<u>515,116</u>	<u>112,406</u>	<u>572</u>	<u>628,094</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	301,433	88,318	0	389,751
Purchased and Contracted Services	89,311	0	0	89,311
Library Material and Information	75,444	2,449	0	77,893
Supplies	17,840	0	0	17,840
Other Objects	1,428	0	0	1,428
Capital Outlay	14,919	2,372	9,480	26,771
	<u>500,375</u>	<u>93,139</u>	<u>9,480</u>	<u>602,994</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	<u>14,741</u>	<u>19,267</u>	<u>(8,908)</u>	<u>25,100</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	0	10,000	10,000
Transfers-Out	(10,000)	0	0	(10,000)
Total Other Financing Receipts/(Disbursements)	<u>(10,000)</u>	<u>0</u>	<u>10,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	4,741	19,267	1,092	25,100
Fund Cash Balances, January 1	<u>216,717</u>	<u>30,261</u>	<u>66,431</u>	<u>313,409</u>
Fund Cash Balances, December 31	<u>\$221,458</u>	<u>\$49,528</u>	<u>\$67,523</u>	<u>\$338,509</u>
Reserves for Encumbrances, December 31	<u>\$7,983</u>	<u>\$1,340</u>	<u>\$0</u>	<u>\$9,323</u>

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

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$495,794	\$100,127	\$0	\$595,921
Other Government Grants-In-Aid	0	9,672	0	9,672
Patron Fines and Fees	10,612	0	0	10,612
Earnings on Investments	1,678	0	550	2,228
Services Provided to Other Entities	80	0	0	80
Contributions, Gifts and Donations	1,220	0	0	1,220
Miscellaneous Receipts	2,172	0	0	2,172
	<u>511,556</u>	<u>109,799</u>	<u>550</u>	<u>621,905</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	274,276	101,444	0	375,720
Purchased and Contracted Services	77,511	2,399	0	79,910
Library Material and Information	75,158	0	0	75,158
Supplies	17,372	0	0	17,372
Other Objects	280	0	0	280
Capital Outlay	9,795	9,532	10,528	29,855
	<u>454,392</u>	<u>113,375</u>	<u>10,528</u>	<u>578,295</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>57,164</u>	<u>(3,576)</u>	<u>(9,978)</u>	<u>43,610</u>
Fund Cash Balances, January 1	<u>159,553</u>	<u>33,837</u>	<u>76,409</u>	<u>269,799</u>
Fund Cash Balances, December 31	<u>\$216,717</u>	<u>\$30,261</u>	<u>\$66,431</u>	<u>\$313,409</u>
Reserves for Encumbrances, December 31	<u>\$5,919</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,919</u>

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

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Library values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Special Levy Fund – This fund is used to record receipts and disbursements associated with a tax levy

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

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

Building Funds – Used to record the receipts and expenditures associated with the Library’s building repairs.

E. Budgetary Process

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$278,434	\$253,334
Certificates of deposit	60,000	60,000
Petty Cash/Change Fund	75	75
Total deposits	\$338,509	\$313,409

The Library also has a payroll account with reconciled balances of \$26,374 and \$26,416 for Fiscal Years ended December 31 2005 and 2004 respectively. These balances are not included in the Library’s financial statements. The balances in the payroll account represent the amount of the payroll paid the first week of January that was recorded as a disbursement in the general account the prior December.

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

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$498,523	\$515,116	\$16,593
Special Revenue	101,298	112,406	11,108
Capital Projects	10,500	10,572	72
Total	<u>\$610,321</u>	<u>\$638,094</u>	<u>\$27,773</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$719,330	\$518,358	\$200,972
Special Revenue	131,558	94,480	37,078
Capital Projects	77,003	9,480	67,523
Total	<u>\$927,891</u>	<u>\$622,318</u>	<u>\$305,573</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$502,998	\$511,556	\$8,558
Special Revenue	100,330	109,799	9,469
Capital Projects	500	550	50
Total	<u>\$603,828</u>	<u>\$621,905</u>	<u>\$18,077</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$654,892	\$460,311	\$194,581
Special Revenue	134,167	113,375	20,792
Capital Projects	76,980	10,528	66,452
Total	<u>\$866,039</u>	<u>\$584,214</u>	<u>\$281,825</u>

4. GRANTS-IN-AID AND TAX RECEIPTS

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

**BLANCHESTER PUBLIC LIBRARY
CLINTON COUNTY**

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

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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

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

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

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

5. RETIREMENT SYSTEM

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

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

6. RISK MANAGEMENT

Commercial Insurance

The Blanchester Public Library has obtained commercial insurance for the following risks:

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



Auditor of State Betty Montgomery

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

Blanchester Public Library
Clinton County
110 N. Broadway
Blanchester, Ohio 45107

To the Board of Trustees:

We have audited the financial statements of the Blanchester Public Library, Clinton County, Ohio (the Library), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated September 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

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

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

Betty Montgomery
Auditor of State

September 29, 2006



**Auditor of State
Betty Montgomery**

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BLANCHESTER PUBLIC LIBRARY

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 23, 2006**