



**Auditor of State
Betty Montgomery**

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Community Library of Big Walnut Local School District
Delaware County
44 Burrer Drive
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Library of Big Walnut Local School District, Delaware County, Ohio (the Library), as of and for the years ended December 31, 2005, and December 31, 2004 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Library of Big Walnut Local School District, Delaware County, Ohio, as of December 31, 2005, and December 31, 2004 and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004 the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

July 31, 2006

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)**

Highlights

Key highlights for 2005 and 2004 are as follows:

In 2005 net assets of governmental activities increased \$30,519 or 6 percent, a significant change from the prior year. Net assets decreased \$25,787 or 5 percent from 2003 to 2004. The fund affected by the increase and decrease in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts. These receipts represent respectively 93.3, 95.1, and 97.9 percent of the total cash received for governmental activities during the years 2005, 2004 and 2003 respectively.

Using the Basic Financial Statements

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

Report Components

The statement of net assets provides information about the cash activities of the Library as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

Reporting the Library as a Whole

Tables 1 and 2 (see pages 4 and 5) report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, one can think of these changes as a way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position are indicators of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, one should also consider other non-financial factors such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for creation of local revenue sources.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Table 1 shows the net assets of the library decrease \$25,787 from 2003 to 2004 and increased \$30,519 from 2004 to 2005.

The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program and fines and fees collected from patrons for the use of the Library's services. General receipts are all receipts not classified as program receipts.

The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts. Benefits provided by the library's governmental activities are not necessarily paid for by the people receiving those benefits. As all activity of the library is classified as governmental activity, no business activity has been detailed on these statements. Business activities may be a part of the future of Community Library and will then be presented in the financial documents.

Table 1: Summary of the Library's Net Assets for 2003 through 2005

All Governmental Activities			
	2003	2004	2005
Assets			
Cash and Cash Equivalents	\$63,296	\$45,442	\$65,644
Investments	464,783	456,850	467,167
<i>Total Assets</i>	528,079	502,292	532,811
 Net Assets			
Unrestricted	528,079	502,292	532,811
<i>Total Net Assets</i>	\$528,079	\$502,292	\$532,811

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Net assets decreased \$25,787 or 4.88% from 2003 to 2004. Net assets increased \$30,519 or 6.07% from 2004 to 2005.

The Library's complete dependence on the LLGSF funds is demonstrated vividly in Table 2 as the unrestricted grants and entitlements represent 97.9% in 2003, 95.1% in 2004, and 93.3% of total general receipts for 2005. While this percentage decreased from 2003 and 2004 and from 2004 to 2005, it is not significant to the overall financial picture presented. Miscellaneous donations are another source of income, however they are insignificant overall and somewhat unpredictable. In 2005 Community Library was the recipient of a grant from the People Fund of the Consolidated Electric Foundation.

On the disbursements side, salaries, retirement, and employee benefits made up 70.8% in 2005, compared to 71% and 70% in 2004 and 2003 respectively. During 2004 fiscal year, staffing changes necessitated high than usual costs in administrative salaries as the outgoing Clerk-Treasurer received three month's severance pay while the new Director-in-Training/Clerk Treasurer was also on the job. Training the new Director/Clerk-Treasurer required an overlap in salaries for approximately 7 months with the out-going Director whose retirement is scheduled for January 2005. Employees' retirement and other fringe benefits together account for 16.5% of disbursements in 2004. In an effort to contain future costs, the employee health insurance plan was revised in 2004 and again in 2005 to higher co-payments and higher deductibles that will be covered for each employee's out of pocket cost. Other efforts at cost containment included decreases in library material purchases for 2004. These cuts will not eliminate the need for additional funding sources (or additional cuts) in the future as growth in the LLGSF is eliminated through the next Biennium Budget in Ohio. Salaries and benefits were impacted in 2004 by the payout of accrued vacation and sick time to the former director on her retirement after 30 years of service. Pay raises were awarded at 2.7% for 2005. It is expected that total salary and benefits costs will stay about the same in 2006 as OPERS expense increases in 2006 despite a smaller total staff at the library.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Table 2: Changes in Net Assets for the years 2003-2005

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$23,114	\$22,219	\$22,149
Capital Grants and Contributions	-	-	3,750
Total Program Receipts	<u>23,114</u>	<u>22,219</u>	<u>25,899</u>
General Receipts:			
Unrestricted Gifts and Donations	3,260	2,561	3,259
Grants and Entitlements Not Restricted to Specific Programs	630,587	632,737	634,621
Interest	9,698	8,009	16,599
Miscellaneous	207	0	0
Total General Receipts	<u>643,752</u>	<u>643,307</u>	<u>654,479</u>
Total Receipts	<u>666,866</u>	<u>665,526</u>	<u>680,378</u>
Disbursements:			
Library Services:			
Public Service and Programs		187,786	303,659
Collection Development and Processing		259,019	180,515
Support Services:			
Facilities Operaiton and Maintenance		90,335	79,653
Information Systems		0	14,346
Business Administration		137,728	64,445
Capital Outlay		16,445	7,241
Total Disbursements*	<u>656,967</u>	<u>691,313</u>	<u>649,859</u>
Excess (Deficiency) Before Transfers	9,899	(25,787)	30,519
Transfers			0
Increase (Decrease) in Net Assets	<u>9,899</u>	<u>(25,787)</u>	<u>30,519</u>
Beginning Net Assets	<u>518,180</u>	<u>528,079</u>	<u>502,292</u>
Ending Net Assets	<u>\$528,079</u>	<u>\$502,292</u>	<u>\$532,811</u>

* Due to expenditures not being presented by function on the December 31, 2003 financial statements, the total 2003 disbursements are presented.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

The Statement of Activities on page 10 and 15 includes all operations of Community Library. Funds represented on this statement include the General Fund, the Capital Improvements Fund, and all Other Governmental Funds. The first column lists the major services provided by the Library. The second column identifies the costs of providing these services. The next two columns of the Statement of Activities are entitled Program Receipts and identify amounts paid by people who are directly charged for the service as well as any grants received by the Library that must be used to provide that specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" of the service must be paid for using other general receipts. The general receipts are presented at the bottom of the statement and are almost entirely "Grants and Entitlements" which is the line item presenting the LLGSF state funds (Library and Local Government Support Funds) for the Library. Once again, This statement dramatically shows the Library's dependence upon this intergovernmental source of funding.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its activities and to help demonstrate that money restricted in use is being spent for the intended purpose.

Governmental Funds

All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the services it provides. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Capital Projects Fund. See pages 11-12 and 16-17 for Fund Report details.

Major Funds

General Fund:

Funds used to cover the annual operating budget including personnel, operations and materials

Capital Projects Fund:

- Land Account: to purchase additional land
- Land Improvement Account: to upgrade sidewalks, landscaping, driveway, parking
- Building and Repairs Account: to maintain existing building; build additions, new facilities
- Furniture and Equipment Account: to add furniture and equipment or maintain existing furniture and equipment

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Non-Major Funds

Automation Fund:

Funds to purchase upgrades, enhancements and new automated systems

Insurance Fund

Due to a change in health insurance coverage in prior years this fund was created so that the Library can reimburse employees for the difference between the old health insurance plan and the current health insurance plan in order to eliminate an increase in co-pay amount for its employees.

Budgetary Process

All funds, (except agency funds of which Community Library has none), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the object code level for all funds. Budgetary modifications at this level of control may only be made by resolution of the Board of Library Trustees. All resolutions are duly recorded in the Board of Trustees' Record of Proceedings.

For control purposes, the Library estimates revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Board may appropriate. Estimated revenues may be revised during the year by the Clerk-Treasurer who must then notify the County Auditor.

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 covering 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 Board during the year.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During 2005 and 2004, the Library Board did not amend its original General Fund budget with the County Budget Commission. The "Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the General Fund" found on page 13 and 18 reflects the same amounts for original and final appropriations. This "BVA" Statement (Budget vs. Actual) itemizes the original budget, the final budget and the actual amounts for receipts and disbursements to and from the General Fund.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Receipts of contributions, gifts and donations were slightly higher than originally budgeted. As well, earnings on investments were higher than originally budgeted. Patron fines and fees include overdue fines, charges for damaged or lost materials, and charges for copies, faxes, and the public pay phone. Variations in this category are insignificant.

Community Library was the recipient of a \$3,750 grant from Consolidated Electric Foundation's People Fund for the purchase of laptop computers during 2005. These computers have enabled the creation of a mobile computer lab where we can now offer computer training courses from beginning computing to email basics to Internet searching and Web site design. These courses have been very well received by both the library's patrons and the local business community.

In every category on the disbursements side, actual expenditures were less than final budget amounts. Holding the line on expenses wherever possible enabled Community Library to have a year-end General Fund balance of \$116,569 to start 2006 on a solid footing.

Health insurance, a benefit to full-time employees, is costly for the library. In 2004 the annual premium was \$43,623 compared with \$42,801 in 2003. Staffing in 2005 changed to 10 full-time and 8 part-time employees down from 12 full-time and 7 part-time at the end of 2004. This change helped reduce health insurance costs. Increasing the out-of-pocket costs and deductibles on the library's health insurance policy further enabled reduction of the annual premium paid. The increases to the employee have been picked up by the health insurance reimbursement fund. The following chart reflects the savings:

	<u>2004</u>	<u>2005</u>
Total Health Insurance premiums paid	\$43,623	\$33,810
Total reimbursement paid out	<u>872</u>	<u>1,084</u>
Annual Health Insurance Benefit cost to library	\$44,495	\$34,894

Automating the front desk check-out process by using receipt printers instead of stamping each item greatly reduced the wait for patrons at the desk and also lightened the work load for the staff covering the desk. With the part-time employees working primarily the busiest hours of the library's operation, we have been able to best utilize the smaller staff in 2005.

There was no debt service or other financing to record in this fund during 2005 or 2004.

Capital Projects Fund

During the 2005 calendar year the only capital project was adding new shelving to the library at a cost of \$4,088. The Library at present has no debt service or other financing to record in this fund.

During the 2004 calendar year the only capital projects were adding concrete sidewalks to the lower level storage and mechanical area, repairs to the blacktop parking lot, and replacement of a compressor in the HVAC unit. The total expenditures for the year amounted to \$15,434. The Library at present has no debt service or other financing to record in this fund.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

Other Governmental Funds

No expenditures were incurred in either the Insurance Fund or the Automation Fund in 2005 or 2004 enabling the entire fund balance to remain fully invested for the year, thus maximizing investment earnings in both funds.

Current Issues

As the preceding information shows, the Library heavily depends on intergovernmental monies, specifically, the Library and Local Government Support Fund. The governor enacted cuts to the personal income tax which will affect revenues for 2006. In June of 2005, the legislature of Ohio voted on the Biennium Budget for 2006 and 2007. Discussions leading up to the vote posed the very real possibility of significant cuts in the LLGSF fund, even eliminating it. Thus, in addition to holding tight on spending during budget planning for 2005, it became necessary to reduce spending even of appropriated monies during the year in order to have some working money at the beginning of 2006. The Biennium Budget was eventually passed freezing the LLGSF revenue at the 2005 level. There will be no added monies during 2006-2007. Community Library will be faced with making changes over the next several years to contain costs and determine what other options are available to increase financial resources.

Contacting the Library's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Chauncey Montgomery, Director/Clerk-Treasurer, Community Library, 44 Burrer Drive, Sunbury, OH 43074, or email at montgoc1@oplin.org.

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Equity in Cash & Cash Equivalents	\$65,644
Investments	467,167
<i>Total Assets</i>	<u>532,811</u>
Net Assets	
Unrestricted	<u>532,811</u>
<i>Total Net Assets</i>	<u>\$532,811</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	303,659	\$13,887		(\$289,772)
Collection Development and Processing	180,515	8,262		(172,253)
Support Services:				0
Facilities Operation and Maintenance	79,653			(79,653)
Information Services	14,346			(14,346)
Business Administration	64,445			(64,445)
Capital Outlay	7,241		3,750	(3,491)
Total Governmental Activities	\$649,859	\$22,149	\$3,750	(\$623,960)
		General Receipts		
				3,259
				634,621
				16,599
				Total General Receipts
				654,479
				Change in Net Assets
				30,519
				<i>Net Assets Beginning of Year</i>
				502,292
				<i>Net Assets End of Year</i>
				\$532,811

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Cash and Cash Equivalents	\$65,644	\$0	\$0	\$65,644
Investments	50,925	367,447	48,795	467,167
<i>Total Assets</i>	<u>116,569</u>	<u>367,447</u>	<u>48,795</u>	<u>532,811</u>
Fund Balances				
Unreserved, Reported In:				
General Fund	116,569	0	0	116,569
Special Revenue Funds	0	0	48,795	48,795
Capital Projects Funds	0	367,447	0	367,447
<i>Total Fund Balances</i>	<u>\$116,569</u>	<u>\$367,447</u>	<u>\$48,795</u>	<u>\$532,811</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$634,621	\$0	\$0	\$634,621
Patron Fines and Fees	22,149			22,149
Contributions, Gifts and Donations	3,259			3,259
Earnings on Investments	3,732	11,394	1,473	16,599
Miscellaneous	3,750			3,750
<i>Total Receipts</i>	<u>667,511</u>	<u>11,394</u>	<u>1,473</u>	<u>680,378</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	303,659			303,659
Collection Development and Processing	180,515			180,515
Support Services:				
Facilities Operation and Maintenance	75,565	4,088		79,653
Information Services	14,346			14,346
Business Administration	64,445			64,445
Capital Outlay	7,241			7,241
<i>Total Disbursements</i>	<u>645,771</u>	<u>4,088</u>	<u>0</u>	<u>649,859</u>
<i>Excess Receipts Over Disbursements</i>	21,740	7,306	1,473	30,519
<i>Fund Balances Beginning of Year</i>	<u>94,829</u>	<u>360,141</u>	<u>47,322</u>	<u>502,292</u>
<i>Fund Balances End of Year</i>	<u>\$ 116,569</u>	<u>\$ 367,447</u>	<u>\$ 48,795</u>	<u>\$ 532,811</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$667,202	\$634,621	\$634,621	(\$0)
Patron Fines and Fees	22,090	22,149	22,149	0
Contributions, Gifts and Donations	2,500	3,259	3,259	0
Earnings on Investments	300	3,732	3,732	0
Miscellaneous	0	3,750	3,750	0
<i>Total receipts</i>	<u>692,092</u>	<u>667,511</u>	<u>667,511</u>	<u>0</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	358,584	358,584	303,659	54,925
Collection Development and Processing	228,495	228,495	180,515	47,980
Support Services:				
Facilities Operation and Maintenance	87,433	87,433	75,565	11,868
Information Services	14,700	14,700	14,346	354
Business Administration	89,459	89,459	64,445	25,014
Capital Outlay	8,250	8,250	7,241	1,009
<i>Total Disbursements</i>	<u>786,921</u>	<u>786,921</u>	<u>645,771</u>	<u>141,150</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>(94,829)</u>	<u>(119,410)</u>	<u>21,740</u>	<u>(141,150)</u>
<i>Net Change in Fund Balance</i>	(94,829)	(119,410)	21,740	(141,150)
<i>Fund Balance Beginning of Year</i>	94,829	94,829	94,829	0
Prior Year Encumbrances Appropriated	<u>10,172</u>	<u>10,172</u>	<u>10,172</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$10,172</u></u>	<u><u>(\$14,409)</u></u>	<u><u>\$116,569</u></u>	<u><u>(\$141,150)</u></u>

See accompanying notes to the basic financial statements

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004

	Governmental Activities
Assets	
Equity in Cash & Cash Equivalents	\$45,442
Investments	<u>456,850</u>
<i>Total Assets</i>	<u><u>\$502,292</u></u>
Net Assets	
Unrestricted	<u>502,292</u>
<i>Total Net Assets</i>	<u><u>\$502,292</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$187,786	\$9,332	(\$178,454)
Collection Development and Processing	259,019	12,887	(246,132)
Support Services:			
Facilities Operation and Maintenance	90,335		(90,335)
Business Administration	137,728		(137,728)
Capital Outlay	16,445		(16,445)
Total Governmental Activities	<u>691,313</u>	<u>22,219</u>	<u>(669,094)</u>
General Receipts			
Unrestricted Gifts and Contributions			2,561
Grants and Entitlements - unrestricted			632,737
Interest			8,009
<i>Total General Receipts</i>			<u>643,307</u>
Change in Net Assets			(25,787)
<i>Net Assets Beginning of Year</i>			<u>528,079</u>
<i>Net Assets End of Year</i>			<u><u>\$502,292</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2004**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Capital Projects		
Assets				
Equity in Cash and Cash Equivalents	\$45,441	\$0	\$0	\$45,441
Investments	49,388	360,141	47,322	456,851
<i>Total Assets</i>	<u>94,829</u>	<u>360,141</u>	<u>47,322</u>	<u>502,292</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	10,172			10,172
Unreserved, Reported In:				
General Fund	84,657			84,657
Special Revenue Funds			47,322	47,322
Capital Projects Funds		360,141		360,141
<i>Total Fund Balances</i>	<u>\$94,829</u>	<u>\$360,141</u>	<u>\$47,322</u>	<u>\$502,292</u>

See accompanying notes to the basic financial statements.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$632,737	\$0	\$0	\$632,737
Patron Fines and Fees	22,219			22,219
Contributions, Gifts and Donations	2,561			2,561
Earnings on Investments	1,243	6,168	598	8,009
<i>Total Receipts</i>	<u>658,760</u>	<u>6,168</u>	<u>598</u>	<u>665,526</u>
Disbursements				
Library Services:				
Public Service and Programs	187,786			187,786
Collection Development and Processing	259,019			259,019
Support Services:				
Facilities Operation and Maintenance	90,335			90,335
Business Administration	137,728			137,728
Capital Outlay	1,011	15,434		16,445
<i>Total Disbursements</i>	<u>675,879</u>	<u>15,434</u>	<u>0</u>	<u>691,313</u>
<i>Excess Receipts Over (Under) Disbursements</i>	(17,119)	(9,266)	598	(25,787)
<i>Fund Balances Beginning of Year</i>	<u>111,948</u>	<u>369,407</u>	<u>46,724</u>	<u>528,079</u>
<i>Fund Balances End of Year</i>	<u><u>\$94,829</u></u>	<u><u>\$360,141</u></u>	<u><u>\$47,322</u></u>	<u><u>\$502,292</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$632,395	\$632,395	\$632,737	\$342
Patron Fines and Fees	23,000	22,000	22,219	219
Contributions, Gifts and Donations	3,300	2,500	2,561	61
Earnings on Investments	400	350	1,243	893
Miscellaneous	300	0	0	0
<i>Total receipts</i>	<u>659,395</u>	<u>657,245</u>	<u>658,760</u>	<u>1,515</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	207,007	207,007	187,836	19,171
Collection Development and Processing	305,829	305,829	268,748	37,081
Support Services:				
Facilities Operation and Maintenance	103,879	103,879	90,335	13,544
Business Administration	152,629	152,629	138,121	14,508
Capital Outlay	2,000	2,000	1,011	989
<i>Total Disbursements</i>	<u>771,344</u>	<u>771,344</u>	<u>686,051</u>	<u>85,293</u>
<i>Excess Receipts Over/(Under) Disbursements</i>	<u>(111,949)</u>	<u>(114,099)</u>	<u>(27,291)</u>	<u>(86,808)</u>
<i>Net Change in Fund Balance</i>	<u>(111,949)</u>	<u>(114,099)</u>	<u>(27,291)</u>	<u>(86,808)</u>
Prior Year Encumbrances Appropriated	<u>14,550</u>	<u>14,550</u>	<u>14,550</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$1)</u></u>	<u><u>(\$2,151)</u></u>	<u><u>\$84,657</u></u>	<u><u>(\$86,808)</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Community Library (hereinafter, “the Library”) was organized as a school district public library in 1944 under the laws of the State of Ohio. The Library has its own Board of Trustees consisting of seven members who are appointed by the Big Walnut Local School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Community 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 and financial accountability of the Library being the responsibility of the Director and fiscal accountability being solely that of the clerk/treasurer.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Big Walnut Local School District.

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

The Library is fiscally independent of the Big Walnut Local School District’s Board of Education. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by Community Library’s Board of Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Big Walnut Local School District’s Board of Education.

The Community Library Friends is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Although the economic resources of Community Library Friends almost entirely benefit the Library, the Library is not entitled nor does it have access to the economic resources of Community Library Friends. While the resources received by the Library from the Friends serves to enhance programs, facilities and the collection, these resources are not significant proportionally to the Library’s annual budget.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 1 - DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY (Continued)

Community Library Foundation ("The Foundation") was founded in 1998 to receive and manage major donations made to the Library. The seven-member Board of Directors is appointed by the Library's Board of Trustees to maintain secure investments, promote fund raising and determine appropriate use of funds. Appropriate uses may include: services to the Big Walnut community, grant funding, scholarships, continuing education for the Library's staff, and bringing traveling programs to the community. Its resources are not exclusively for the Library and the Library does not have access to those resources.

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

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 that 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 all financial activities of the Library. Governmental activities generally are financed through intergovernmental receipts, and other non-exchange transactions.

The statement of net assets presents the modified cash balance of 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. Program receipts include charges paid by the recipient of the program's goods or services. 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 activity is self-financing on a modified cash basis or draws from the Library's general receipts.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental funds are financed primarily from intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds

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

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

The other governmental funds of the Library account for resources the Board of Trustees have allocated for a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, the Library's financial statements are prepared using the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

D. Budgetary Process

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Clerk Treasurer. 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 & Cash Equivalents

To improve cash management, cash received by the Library is placed in a demand deposit account and reported in the general fund and the amount held in all other governmental funds is invested in separate investment instruments.

Investments with an original maturity of three months or less at the time of purchase 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, purchase of investments is not recorded as disbursements, and sales of investments are not recorded as receipts. Gain or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005 and 2004, the Library invested in nonnegotiable certificates of deposits which are recorded at cost.

In addition the Library invested in STAR Ohio accounts. 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, 2005 and December 31, 2004.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund were \$3,732 in 2005, and \$1,243 in 2004. Interest receipts credited to all other governmental funds were \$12,867 in 2005 and \$6,766 in 2004.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library did not have any restricted assets.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Compensated Absences

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Library has no restricted net assets.

N. Fund Balance Reserves

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Inter-fund 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 (and after nonoperating receipts/disbursements in proprietary 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 - CHANGE IN BASIS OF ACCOUNTING

At December 31, 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. On January 1, 2004 the Library implemented the modified cash basis of accounting described in note 2. 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.

In addition the Library has changed the fund classification of the Insurance Fund from an internal service fund type as reported in prior year's to a special revenue fund type. The Insurance Fund is used to reimburse employees for the differences between an old health insurance plan and the current health insurance plan in order to eliminate an increase in co-pay amount for the Library's employees. This fund did not meet the definition of an internal service fund and has sense been reclassified to the special revenue fund type. Therefore, the January 1, 2004 fund balance of the Insurance Fund will be restated as a Special Revenue Fund type and is included in the Other Governmental Fund column on the fund financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at December 31, 2004 and December 31, 2005 (budgetary basis) amounted to \$10,172 and \$0 for the general fund.

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.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(UNAUDITED)
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2005 and December 31, 2004, the Library had \$135 in undeposited cash on hand which is included as part of "Equity in cash and cash equivalents".

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, 2005 and 2004 the bank balance of the Library's deposits were covered by federal depository insurance.

The Library's investment policy addresses custodial risk by referencing to the 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, 2005 and 2004, the Library had the following investments:

	Carrying Value at Dec. 31, 2005	Maturity
STAR Ohio	\$ 271,129	Average
Certificate of Deposit	33,314	7/1/2006
Certificate of Deposit	51,229	7/7/2007
Certificate of Deposit	51,556	8/23/2006
Certificate of Deposit	59,939	7/1/2006
Total Investments	467,167	
	Carrying Value at Dec. 31, 2004	Maturity
STAR Ohio	\$ 316,763	Average
Certificate of Deposit	\$49,419	1/7/2005
Certificate of Deposit	\$32,421	7/1/2006
Certificate of Deposit	\$58,248	7/1/2005
Total Investments	456,851	

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library's investment policy references to state statute in regards to investment credit risk. 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's investment policy deals with investment custodial risk by referencing 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."

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 6 - 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 the LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission then allocates these funds to the libraries of Delaware County based on an agreement reached between the four county library systems: Delaware County District, Ashley Wornstaff Memorial, Westerville Public, and the Community Library of Big Walnut Local School District. This legal agreement is enacted through budget year 2007 at which time it must be renegotiated. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

NOTE 7 - RISK MANAGEMENT

Community Library has obtained commercial insurance for the following risks:

- Commercial Property Coverage
- Commercial General Liability Coverage
- Commercial Crime Coverage
- Commercial Inland Marine Coverage
- Public Library Errors and Omissions Legal Liability Coverage

Community Library incurred losses due to a lightning strike during a summer storm July 2005 which damaged portions of the telephone system, several computers, the security system and some other minor electrical items. These were covered losses under the library's property coverage less the current deductible on the policy. Electrical specialists have been consulted to try to mitigate the potential for any such future storm damage.

Employee Benefits Insurance provided by the library:

- Health insurance to full-time employees through Anthem Blue Cross/Blue Shield
- Vision insurance to full-time employee through Vision Service Plan

NOTE 8 - DEFINED BENEFIT PENSION PLAN

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan 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 pension 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 pension 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005
(UNAUDITED)
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2005 and December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2005 which totaled \$58,943 and through December 31, 2004 which totaled \$58,846.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans on a scaled, shared cost basis. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional pension and combined plans was 376,109. The actuarial value of OPERS net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$118.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Ohio Public Employees Deferred Compensation Plan, a 457 Retirement Plan, is available to all full time employees and is entirely voluntary and is paid wholly by employees electing to participate. Funds are withheld from paychecks and deposited to the Ohio Public Employees Deferred Compensation Program Account #0651900 with each payroll process. All funds were deposited as required as of December 31, 2005.



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*

Community Library of Big Walnut Local School District
Delaware County
44 Burrer Drive
Sunbury, Ohio 43074

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 Community Library of Big Walnut Local School District, Delaware County, Ohio (the Library), as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 31, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the basic 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.

Compliance and Other Matters

As part of reasonably assuring whether the Library's basic 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*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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www.auditor.state.oh.us

Community Library of Big Walnut Local School District
Delaware County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, 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

July 31, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE 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 10, 2006**