



**Auditor of State
Betty Montgomery**

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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**Auditor of State
Betty Montgomery**

Fairfield County District Library
Fairfield County
219 North Broad Street
Lancaster, Ohio 43130

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 Library 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

December 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield County District Library
Fairfield County
219 North Broad Street
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the accompanying financial statements of Fairfield County District Library, Fairfield County, Ohio, (the Library) as of and for the years ended December 31, 2004, and December 31, 2003. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 Library 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, 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, 2004, or its changes in financial position for the year then ended.

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 Fairfield County District Library, Fairfield County, Ohio, as of December 31, 2004, and December 31, 2003, 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 year ended December 31, 2004. 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 December 1, 2005, 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

December 1, 2005

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD 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>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Library and Local Government Support	\$ 2,917,275	\$ -	\$ -	\$ -	\$ 2,917,275
Patron Fines and Fees	148,324	-	-	-	148,324
Earnings on Investments	16,507	-	-	-	16,507
Contributions, Gifts and Donations	14,500	30,078	-	-	44,578
Miscellaneous Receipts	2,910	-	-	-	2,910
	<u>3,099,516</u>	<u>30,078</u>	<u>-</u>	<u>-</u>	<u>3,129,594</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	1,645,959	-	-	-	1,645,959
Purchased and Contracted Services	621,000	2,775	-	-	623,775
Library Materials and Information	555,469	10,297	-	-	565,766
Supplies	78,812	-	-	-	78,812
Other	12,706	-	-	-	12,706
Debt Service:					
Redemption of Principal	-	-	89,082	-	89,082
Interest Payments and Other Financing Fees and Costs	-	-	40,290	-	40,290
Capital Outlay	101,319	-	-	25,330	126,649
	<u>3,015,265</u>	<u>13,072</u>	<u>129,372</u>	<u>25,330</u>	<u>3,183,039</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>84,251</u>	<u>17,006</u>	<u>(129,372)</u>	<u>(25,330)</u>	<u>(53,445)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	6,050	-	129,372	-	135,422
Transfers-Out	(129,372)	(6,050)	-	-	(135,422)
	<u>(123,322)</u>	<u>(6,050)</u>	<u>129,372</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,071)	10,956	-	(25,330)	(53,445)
Fund Cash Balances, January 1	565,772	44,353	-	562,475	1,172,600
Fund Cash Balances, December 31	<u>\$ 526,701</u>	<u>\$ 55,309</u>	<u>\$ -</u>	<u>\$ 537,145</u>	<u>\$ 1,119,155</u>
Reserves for Encumbrances, December 31	<u>238,339</u>	<u>37,913</u>	<u>-</u>	<u>7,000</u>	<u>283,252</u>

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

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Library and Local Government Support	\$ 3,084,262	\$ -	\$ -	\$ -	\$ 3,084,262
Patron Fines and Fees	132,887	-	-	-	132,887
Earnings on Investments	14,661	-	-	-	14,661
Contributions, Gifts and Donations	864	19,342	-	-	20,206
Miscellaneous Receipts	21,859	-	-	-	21,859
Total Cash Receipts	<u>3,254,533</u>	<u>19,342</u>	<u>-</u>	<u>-</u>	<u>3,273,875</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	1,791,141	-	-	-	1,791,141
Purchased and Contracted Services	601,832	5,553	-	-	607,385
Library Materials and Information	590,021	8,358	-	-	598,379
Supplies	88,290	300	-	-	88,590
Other	21,654	-	-	-	21,654
Debt Service:					
Redemption of Principal	-	-	84,536	-	84,536
Interest Payments and Other Financing Fees and Costs	-	-	44,837	-	44,837
Capital Outlay	32,980	-	-	62,132	95,112
Total Cash Disbursements	<u>3,125,918</u>	<u>14,211</u>	<u>129,373</u>	<u>62,132</u>	<u>3,331,634</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>128,615</u>	<u>5,131</u>	<u>(129,373)</u>	<u>(62,132)</u>	<u>(57,759)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	-	-	129,371	-	129,371
Transfers-Out	(129,371)	-	-	-	(129,371)
Total Other Financing Receipts/(Disbursements)	<u>(129,371)</u>	<u>-</u>	<u>129,371</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(756)</u>	<u>5,131</u>	<u>(2)</u>	<u>(62,132)</u>	<u>(57,759)</u>
Fund Cash Balances, January 1	<u>566,528</u>	<u>39,222</u>	<u>2</u>	<u>624,607</u>	<u>1,230,359</u>
Fund Cash Balances, December 31	<u>\$ 565,772</u>	<u>\$ 44,353</u>	<u>\$ -</u>	<u>\$ 562,475</u>	<u>\$ 1,172,600</u>
Reserves for Encumbrances, December 31	<u>\$ 237,317</u>	<u>\$ 810</u>	<u>\$ -</u>	<u>\$ 10,955</u>	<u>\$ 249,082</u>

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

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND DECEMBER 31, 2003**

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 Fairfield County District Library, Fairfield County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. Three Trustees are appointed by the judges of the Fairfield County Common Pleas Court and four are appointed by the Fairfield County Commissioners for seven year terms. The Library provides the community with various educational and literary resources.

The Fairfield County Library Foundation is also associated with the Library. The Foundation is a not-for-profit corporation, created on April 13, 1983, to support, promote, and encourage the library services, activities, and facilities of the Library pursuant to Ohio Rev. Code Section 1702.01. The Foundation is directed by an eight member Board of Trustees consisting of the Director of the Library and four members of the Library Board of Trustees. In addition, the Library Board of Trustees appoints the remaining three members, designated as Community Representatives, to the Foundation's Board. The Foundation possesses its own contracting and budgeting authority and solicits donations for projects of the Foundation. The Foundation does not depend on the Library for funding. The Foundation is a component unit of the Library. The Foundation does not issue separate financial statements and financial information is not included on the Library's financial statements. To obtain the information on the Foundation, contact Wayne Fritz at 219 North Broad Street, Lancaster, Ohio 43130.

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 of accounting. 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's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Gifts, Donations & Contributions Fund – This fund accounts for receipts restricted by donors for specific purposes.

3. Debt Service Fund

This fund accounts for resources the Library accumulates to pay note indebtedness.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

E. Budgetary Process

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

A summary of 2004 and 2003 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.

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND DECEMBER 31, 2003
(Continued)**

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:

	2004	2003
Demand deposits	\$10,382	\$58,739
Total deposits	10,382	58,739
STAR Ohio	1,108,773	1,113,861
Total investments	1,108,773	1,113,861
Total deposits and investments	\$1,119,155	\$1,172,600

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

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004, and December 31, 2003, follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,086,927	\$3,105,566	\$18,639
Special Revenue	27,000	30,078	3,078
Debt Service	129,372	129,372	0
Capital Projects	0	0	0
Total	\$3,243,299	\$3,265,016	\$21,717

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,652,698	\$3,382,976	\$269,722
Special Revenue	71,354	57,035	14,319
Debt Service	129,372	129,372	0
Capital Projects	562,475	32,330	530,145
Total	\$4,415,899	\$3,601,713	\$814,186

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,249,177	\$3,254,533	\$5,356
Special Revenue	18,300	19,342	1,042
Debt Service	129,371	129,371	0
Capital Projects	0	0	0
Total	\$3,396,848	\$3,403,246	\$6,398

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,815,708	\$3,492,606	\$323,102
Special Revenue	57,521	15,021	42,500
Debt Service	129,373	129,373	0
Capital Projects	624,608	73,087	551,521
Total	\$4,627,210	\$3,710,087	\$917,123

4. GRANTS-IN-AID

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.

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$718,790	5.4%

The general obligation notes are supported by the full faith and credit of the Library and are payable from unvoted library and local government support revenues to the extent that other resources are not available to meet annual principal and interest payments.

Amortization of the above debt is scheduled as follows:

Year	G.O. Notes	
	Principal	Interest
2005	\$93,874	\$35,499
2006	98,922	30,450
2007	104,242	25,130
2008	109,849	19,524
2009	115,757	13,616
2010 – 2011	196,146	8,694
Totals	\$718,790	\$132,913

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND DECEMBER 31, 2003
(Continued)**

6. 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, 2004.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

8. RELATED ORGANIZATION

Fairfield County – The Library is statutorily created as a separate and distinct political subdivision of the State. Four Trustees of the Library are appointed by the Board of County Commissioners and three Trustees are appointed by the judges of the Common Pleas Court. The Library possesses its own contracting and budgeting authority, handles its own personnel actions, and does not depend on the County for operational subsidies.

9. RELATED PARTY TRANSACTIONS

The Library had expenditure transactions with the Fairfield County Library Foundation, a component unit. The Library paid the Foundation \$88,000 in 2004 for rent of two branch library buildings and \$96,000 in 2003 for rent of three branch library buildings. The Library also received a \$10,000 grant from the Foundation in 2004 to purchase of a computer filtering system for internet usage and donations of \$1,042 in 2004 and \$1,490 in 2003 to purchase books for Youth Services.

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**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***

Fairfield County District Library
Fairfield County
219 North Broad Street
Lancaster, Ohio 43130

To the Board of Trustees:

We have audited the financial statements of the Fairfield County District Library, Fairfield County, Ohio (the Library) as of and for the years ended December 31, 2004, and December 31, 2003, and have issued our report thereon dated December 1, 2005, 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.

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*.

Fairfield County District Library
Fairfield 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

December 1, 2005



**Auditor of State
Betty Montgomery**

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FAIRFIELD COUNTY DISTRICT LIBRARY

FAIRFIELD 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
FEBRUARY 9, 2006**