



**Auditor of State
Betty Montgomery**

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

London Public Library
Madison County
20 East First Street
London, Ohio 43140

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 London Public Library, Madison 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 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Public Library, Madison County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Library Endowment funds, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 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.

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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

August 24, 2006

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED**

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and December 31, 2004, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights are as follows:

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts and property taxes from a local levy. These receipts respectively represent 62.5 and 25.9 percent of the total cash received for Library operations during 2005, and 64.7 and 27.8 percent during 2004. From 2004 to 2005, LLGSF receipts increased .6 percent and property tax receipts decreased 2.6 percent. From 2003 to 2004, LLGSF receipts increased .5 percent and property tax receipts increased 6.3 percent.

Total assets as of December 31, 2005 were \$812,744, an increase of \$107,774 or 15.3 percent from 2004. As of December 31, 2004, assets totaled \$704,970, an increase of \$105,907 or 17.7 percent from 2003.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and donations to the Library for capital improvements. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indication of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the reliance on Library and Local Government Support Fund funding, the condition of the Library's capital assets, and the extent of the Library's debt obligations, or absence thereof and the need for continued growth in the local revenue sources such as property and other local taxes.

In the statement of net assets and the statement of activities, the assets and activity of the Library are presented as Governmental Activities. All of the Library's basic services are reported here.

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 account for and report money that management intends to be used for specific purposes.

All of the Library's financial activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for 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, Library Endowment Fund and Capital Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005, 2004, and 2003 on a modified cash basis.

(Table 1)

Net Assets

	Governmental Activities		
	2005	2004	2003
Assets			
Cash and Cash Equivalents	\$812,744	\$704,970	\$599,063
Total Assets	<u>\$812,744</u>	<u>\$704,970</u>	<u>\$599,063</u>
Net Assets			
Restricted for:			
Other Purposes	\$0	\$0	\$6,147
Unrestricted	812,744	704,970	592,916
Total Net Assets	<u>\$812,744</u>	<u>\$704,970</u>	<u>\$599,063</u>

As mentioned previously, total net assets increased \$107,774 or 15.3% during 2005, and \$105,907 or 17.7% during 2004. Overall, cash disbursements increased from 2003 to 2004 and 2004 to 2005, but at lower dollar amounts than the increases in cash receipts over the same time period.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
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(Continued)**

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data from 2003 to 2004 has not been presented.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$21,460	\$18,913
Capital Grants and Contributions	20,000	0
Total Program Receipts	41,460	18,913
General Receipts:		
Library and Local Government Support Fund	608,300	604,422
Property Taxes Levied for General Purposes	252,009	260,181
Grants and Entitlements Not Restricted to Specific Programs	33,158	32,682
Unrestricted Contributions, Gifts, and Donations	10,910	1,616
Earnings on Investments	25,860	16,156
Miscellaneous	1,185	654
Total General Receipts	931,422	915,711
Total Receipts	972,882	934,624
Disbursements:		
Library Services:		
Salaries and Benefits	478,558	485,726
Supplies	30,617	26,957
Purchased and Contracted Services	92,046	82,273
Library Materials and Information	155,665	135,758
Other Objects	2,429	2,294
Capital Outlay	105,793	95,709
Total Disbursements	865,108	828,717
Increase in Net Assets	107,774	105,907
Net Assets, January 1	704,970	599,063
Net Assets, December 31	\$812,744	\$704,970

Receipts from Local Library Government Support Fund (LLGSF), property taxes, and grants and entitlements not restricted to specific programs, in total, represent 91.8 and 96.0 percent of the Library's total receipts for 2005 and 2004. All other receipts are insignificant in comparison. The receipt and expenditure activity from 2004 to 2005 remained fairly consistent for all material receipt sources and disbursement categories.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
UNAUDITED
(Continued)**

Governmental Activities

As indicated in the columns entitled Cash Disbursements of each Statement of Activities on pages 12 and 13, the majority of the Library's disbursements are for public service and programs, which are Library Services. In other words, besides capital outlay, all of the disbursements of the Library are costs to provide public service and programs. This totaled \$759,315, or 87.8 percent, of the total Library disbursements in 2005, and \$733,008, or 88.5 percent, in 2004. Capital Outlay accounts for the remaining disbursements of \$105,793, or 12.2 percent, in 2005, and \$95,709, or 11.5 percent in 2004.

The Program Receipts portion of each Statement of Activities identifies amounts of revenues directly received and generated for a specific program of the Library. In general, the charges for services and sales are the fines and fees paid by Library patrons. The net Receipts (Disbursements) column on each statement compares the program receipts to the costs of the service. This "net cost" amount represents the cost of the service which ends up being paid from the money provided by general receipts, which for the Library are primarily LLGSF and local property taxes, as presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Library Services:				
Salaries and Benefits	\$478,558	\$478,558	\$485,726	\$485,726
Supplies	30,617	30,617	26,957	26,957
Purchased and Contracted Services	92,046	92,046	82,273	82,273
Library Materials and Information	155,665	134,205	135,758	116,845
Other	2,429	2,429	2,294	2,294
Capital Outlay	105,793	85,793	95,709	95,709
Total Disbursements	\$865,108	\$823,648	\$828,717	\$809,804

The dependence upon property tax receipts and LLGSF is apparent as nearly 95 percent of governmental activities were supported through these general receipts in both 2005 and 2004.

The Library's Funds

Information about the Library's major governmental funds begins on page 14. All governmental funds had total receipts of \$972,882 and disbursements of \$865,108 in 2005, and total receipts of \$934,624 and disbursements of \$828,717 in 2004.

The fund balance of the General Fund increased \$7,058 in 2005 and \$37,889 in 2004. The General Fund began 2004 with a fund balance of \$300,437, and ended the year with a fund balance of \$338,326. The fund balance of the General Fund at the end of 2005 was \$345,384. Overall, General Fund cash disbursements and other financing uses increased from 2003 to 2004 and 2004 to 2005, but at lower dollar amounts than the increases in cash receipts over the same time period.

**LONDON PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
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(Continued)**

The fund balance of the Capital Improvement Fund increased \$62,547 in 2004; from \$192,079 at the beginning of the year to \$254,626 on December 31, 2004. As of the end of 2005, that fund balance had increased by \$100,000 and totaled \$354,626. The increases in the Capital Improvement Fund are primarily from transfers in from the General Fund.

The fund balance of the Library Endowment Fund increased \$6,619 during 2004; the majority of which was the proceeds from the dissolution of the Jones Trust. Movement of the Jones Trust Fund to the Library Endowment Fund is reflected in the "transfers" section of the Statement. The Library Endowment Fund balance was \$90,347 on December 31, 2004, and \$90,897 on December 31, 2005 due to only receiving minor donations for 2005.

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. Adjustments between budget line items were needed at year end to accommodate anticipated receipts and disbursements and transfers out; however, no changes were made to total budgeted receipts or total disbursements and financing uses during 2005 or 2004.

There were no significant variances between final budget amounts and actual budget results. Actual receipts in 2005 totaled \$952,332, which was \$12,468 or 1.3 percent less than budgeted. In 2004, actual receipts totaled \$934,153, which was \$24,153 or 2.7 percent more than budgeted. Actual disbursements in 2005 were \$793,374, which was \$19,126 or 2.4 percent under budget. In 2004, actual disbursements were \$758,452, which was \$32,936 or 4.3 percent under budget.

Capital Assets and Debt Administration

Capital Assets: The Library does not currently include capital assets in its financial report and does not have intent to do so in the future.

Debt: As of December 31, 2005 and December 31, 2004, the Library had no debt.

Current Issues

The challenge for all Government entities is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The condition of the economy in the State of Ohio, and the many priorities of the legislators and their constituencies when biennial budgets are approved, make library funding tenuous at best. The Library's management has developed contingencies to address funding shortfalls should they occur.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors 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 Erin Morris, Clerk-Treasurer, London Public Library, 20 E. First St., London, OH 43140.

LONDON PUBLIC LIBRARY
MADISON COUNTY

Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$812,744
<i>Total Assets</i>	<u>\$812,744</u>
Net Assets	
Unrestricted	812,744
<i>Total Net Assets</i>	<u>\$812,744</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Capital Grants and Contributions</u>
			<u>Governmental Activities</u>
Governmental Activities			
Library Services:			
Salaries and Benefits	\$478,558	\$0	\$0
Supplies	30,617	0	0
Purchased and Contracted Services	92,046	0	0
Library Materials and Information	155,665	21,460	0
Other Objects	2,429	0	0
Capital Outlay	105,793	0	20,000
<i>Total Governmental Activities</i>	<u>\$865,108</u>	<u>\$21,460</u>	<u>\$20,000</u>
			<u>(823,648)</u>
General Receipts			
Library and Local Government Support Fund (LLGSF)			608,300
Property Taxes Levied for General Purposes			252,009
Grants and Entitlements Not Restricted to Specific Programs			33,158
Unrestricted Contributions, Gifts, and Donations			10,910
Earnings on Investments			25,860
Miscellaneous			1,185
<i>Total General Receipts</i>			<u>931,422</u>
Change in Net Assets			107,774
<i>Net Assets Beginning of Year</i>			<u>704,970</u>
<i>Net Assets End of Year</i>			<u>\$812,744</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005**

	<u>General</u>	<u>Library Endowment</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$345,384	\$90,897	\$354,626	\$21,837	\$812,744
<i>Total Assets</i>	<u>\$345,384</u>	<u>\$90,897</u>	<u>\$354,626</u>	<u>\$21,837</u>	<u>\$812,744</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$7,600	\$0	\$0	\$0	\$7,600
Unreserved:					
Designated for Future Operations	0	90,897	0	0	90,897
Undesignated, Reported in:					
General Fund	337,784	0	0	0	337,784
Capital Projects Funds	0	0	354,626	21,837	376,463
<i>Total Fund Balances</i>	<u>\$345,384</u>	<u>\$90,897</u>	<u>\$354,626</u>	<u>\$21,837</u>	<u>\$812,744</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Library Endowment	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support Fund	\$608,300	\$0	\$0	\$0	\$608,300
Property and Other Local Taxes	252,009	0	0	0	252,009
Intergovernmental	33,158	0	0	0	33,158
Patron Fines and Fees	21,460	0	0	0	21,460
Contributions, Gifts and Donations	10,360	550	20,000	0	30,910
Earnings on Investments	25,860	0	0	0	25,860
Miscellaneous	1,185	0	0	0	1,185
<i>Total Receipts</i>	<u>952,332</u>	<u>550</u>	<u>20,000</u>	<u>0</u>	<u>972,882</u>
Disbursements					
Current:					
Library Services:					
Salaries and Benefits	478,558	0	0	0	478,558
Supplies	30,617	0	0	0	30,617
Purchased and Contracted Services	92,046	0	0	0	92,046
Library Materials and Information	150,831	0	0	4,834	155,665
Other	2,429	0	0	0	2,429
Capital Outlay	31,293	0	74,500	0	105,793
<i>Total Disbursements</i>	<u>785,774</u>	<u>0</u>	<u>74,500</u>	<u>4,834</u>	<u>865,108</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	166,558	550	(54,500)	(4,834)	107,774
Other Financing Sources (Uses)					
Transfers In	0	0	154,500	5,000	159,500
Transfers Out	(159,500)	0	0	0	(159,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(159,500)</u>	<u>0</u>	<u>154,500</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	7,058	550	100,000	166	107,774
<i>Fund Balances Beginning of Year</i>	<u>338,326</u>	<u>90,347</u>	<u>254,626</u>	<u>21,671</u>	<u>704,970</u>
<i>Fund Balances End of Year</i>	<u><u>\$345,384</u></u>	<u><u>\$90,897</u></u>	<u><u>\$354,626</u></u>	<u><u>\$21,837</u></u>	<u><u>\$812,744</u></u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Library and Local Government Support Fund	\$631,000	\$631,000	\$608,300	(\$22,700)
Property and Other Local Taxes	260,000	252,000	252,009	9
Intergovernmental	25,000	33,000	33,158	158
Patron Fines and Fees	16,300	16,300	21,460	5,160
Contributions, Gifts and Donations	17,000	17,000	10,360	(6,640)
Earnings on Investments	15,000	15,000	25,860	10,860
Miscellaneous	500	500	1,185	685
<i>Total receipts</i>	<u>964,800</u>	<u>964,800</u>	<u>952,332</u>	<u>(12,468)</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	528,400	480,400	478,558	1,842
Supplies	38,000	32,000	30,617	1,383
Purchased and Contracted Services	130,000	106,500	92,046	14,454
Library Materials and Information	150,000	151,000	150,831	169
Other	3,000	3,000	2,429	571
Capital Outlay	37,600	39,600	38,893	707
<i>Total Disbursements</i>	<u>887,000</u>	<u>812,500</u>	<u>793,374</u>	<u>19,126</u>
<i>Excess of Receipts Over Disbursements</i>	77,800	152,300	158,958	6,658
Other Financing Sources (Uses)				
Transfers Out	(75,000)	(159,500)	(159,500)	0
Other Financing Uses-Contingencies	(10,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(85,000)</u>	<u>(159,500)</u>	<u>(159,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(7,200)	(7,200)	(542)	6,658
<i>Fund Balance Beginning of Year</i>	<u>336,138</u>	<u>336,138</u>	<u>336,138</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,188</u>	<u>2,188</u>	<u>2,188</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$331,126</u></u>	<u><u>\$331,126</u></u>	<u><u>\$337,784</u></u>	<u><u>\$6,658</u></u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

***Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Library Endowment Fund
For the Year Ended December 31, 2005***

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Contributions, Gifts and Donations	<u>\$0</u>	<u>\$0</u>	<u>\$550</u>	<u>\$550</u>
<i>Total receipts</i>	<u>0</u>	<u>0</u>	<u>550</u>	<u>550</u>
Disbursements				
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>550</u>	<u>550</u>
<i>Fund Balance Beginning of Year</i>	<u>90,347</u>	<u>90,347</u>	<u>90,347</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$90,347</u></u>	<u><u>\$90,347</u></u>	<u><u>\$90,897</u></u>	<u><u>\$550</u></u>

See accompanying notes to the basic financial statements

LONDON PUBLIC LIBRARY
MADISON COUNTY

Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$704,970</u>
<i>Total Assets</i>	<u><u>\$704,970</u></u>
Net Assets	
Unrestricted	<u>704,970</u>
<i>Total Net Assets</i>	<u><u>\$704,970</u></u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Salaries and Benefits	\$485,726	\$0	(\$485,726)
Supplies	26,957	0	(26,957)
Purchased and Contracted Services	82,273	0	(82,273)
Library Materials and Information	135,758	18,913	(116,845)
Other Objects	2,294	0	(2,294)
Capital Outlay	95,709	0	(95,709)
<i>Total Governmental Activities</i>	\$828,717	\$18,913	(809,804)
 General Receipts			
Library and Local Government Support Fund (LLGSF)			604,422
Property Taxes Levied for General Purposes			260,181
Grants and Entitlements Not Restricted to Specific Programs			32,682
Unrestricted Contributions, Gifts, and Donations			1,616
Earnings on Investments			16,156
Miscellaneous			654
<i>Total General Receipts</i>			915,711
Change in Net Assets			105,907
<i>Net Assets Beginning of Year</i>			599,063
<i>Net Assets End of Year</i>			\$704,970

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004**

	General	Library Endowment	Library Endowment	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$338,326	\$90,347	\$254,626	\$21,671	\$704,970
<i>Total Assets</i>	<u>\$338,326</u>	<u>\$90,347</u>	<u>\$254,626</u>	<u>\$21,671</u>	<u>\$704,970</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$2,188	\$0	\$0	\$0	\$2,188
Unreserved:					
Designated for Future Operations	0	90,347	0	0	90,347
Undesignated, Reported in:					
General Fund	336,138	0	0	0	336,138
Capital Projects Funds	0	0	254,626	21,671	276,297
<i>Total Fund Balances</i>	<u>\$338,326</u>	<u>\$90,347</u>	<u>\$254,626</u>	<u>\$21,671</u>	<u>\$704,970</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General	Library Endowment	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support Fund	\$604,422	\$0	\$0	\$0	\$604,422
Property and Other Local Taxes	260,181	0	0	0	260,181
Intergovernmental	32,682	0	0	0	32,682
Patron Fines and Fees	18,913	0	0	0	18,913
Contributions, Gifts and Donations	1,226	390	0	0	1,616
Earnings on Investments	16,075	0	0	81	16,156
Miscellaneous	654	0	0	0	654
<i>Total Receipts</i>	<u>934,153</u>	<u>390</u>	<u>0</u>	<u>81</u>	<u>934,624</u>
Disbursements					
Current:					
Library Services:					
Salaries and Benefits	485,726	0	0	0	485,726
Supplies	26,957	0	0	0	26,957
Purchased and Contracted Services	82,273	0	0	0	82,273
Library Materials and Information	135,758	0	0	0	135,758
Other	2,294	0	0	0	2,294
Capital Outlay	23,256	0	72,453	0	95,709
<i>Total Disbursements</i>	<u>756,264</u>	<u>0</u>	<u>72,453</u>	<u>0</u>	<u>828,717</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	177,889	390	(72,453)	81	105,907
Other Financing Sources (Uses)					
Transfers In		6,229	135,000	5,000	146,229
Transfers Out	(140,000)			(6,229)	(146,229)
<i>Total Other Financing Sources (Uses)</i>	<u>(140,000)</u>	<u>6,229</u>	<u>135,000</u>	<u>(1,229)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	37,889	6,619	62,547	(1,148)	105,907
<i>Fund Balances Beginning of Year</i>	<u>300,437</u>	<u>83,728</u>	<u>192,079</u>	<u>22,819</u>	<u>599,063</u>
<i>Fund Balances End of Year</i>	<u>\$338,326</u>	<u>\$90,347</u>	<u>\$254,626</u>	<u>\$21,671</u>	<u>\$704,970</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON 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				
Library and Local Government Support Fund	\$604,000	\$604,000	\$604,422	\$422
Property and Other Local Taxes	250,000	250,000	260,181	10,181
Intergovernmental Receipts	24,000	24,000	32,682	8,682
Patron Fines and Fees	15,000	15,000	18,913	3,913
Contributions, Gifts and Donations	2,000	2,000	1,226	(774)
Earnings on Investments	14,000	14,000	16,075	2,075
Miscellaneous	1,000	1,000	654	(346)
<i>Total receipts</i>	<u>910,000</u>	<u>910,000</u>	<u>934,153</u>	<u>24,153</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	561,200	488,200	485,726	2,474
Supplies	27,000	27,500	26,957	543
Purchased and Contracted Services	105,000	105,000	82,273	22,727
Library Materials and Information	156,000	137,500	135,758	1,742
Other	3,000	3,000	2,294	706
Capital Outlay	30,188	30,188	25,444	4,744
<i>Total Disbursements</i>	<u>882,388</u>	<u>791,388</u>	<u>758,452</u>	<u>32,936</u>
<i>Excess of Receipts Over Disbursements</i>	27,612	118,612	175,701	57,089
Other Financing Sources (Uses)				
Transfers Out	(40,000)	(140,000)	(140,000)	0
Other Financing Uses-Contingencies	(9,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(49,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(21,388)	(21,388)	35,701	57,089
<i>Fund Balance Beginning of Year</i>	<u>300,437</u>	<u>300,437</u>	<u>300,437</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$279,049</u>	<u>\$279,049</u>	<u>\$336,138</u>	<u>\$57,089</u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

***Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Library Endowment Fund
For the Year Ended December 31, 2004***

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Contributions, Gifts and Donations	<u>0</u>	<u>0</u>	<u>390</u>	<u>390</u>
<i>Total receipts</i>	<u>0</u>	<u>0</u>	<u>390</u>	<u>390</u>
Disbursements				
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	390	390
Other Financing Sources (Uses)				
Transfers In	<u>0</u>	<u>0</u>	<u>6,229</u>	<u>6,229</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>6,229</u>	<u>6,229</u>
<i>Net Change in Fund Balance</i>	0	0	6,619	6,619
<i>Fund Balance Beginning of Year</i>	<u>83,728</u>	<u>83,728</u>	<u>83,728</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$83,728</u></u>	<u><u>\$83,728</u></u>	<u><u>\$90,347</u></u>	<u><u>\$6,619</u></u>

See accompanying notes to the basic financial statements

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 1 – Description of the Library and Reporting Entity

The Library was organized as a school district public library in 1905 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are ratified by the London City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the 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 Board of Education.

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

The Friends of the London Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library is not entitled to, or does not have the ability access or majority of the economic resources received or held by the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the London Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. 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

For fiscal years 2005 and 2004, the Library has implemented the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38 for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts, Library and Local Government Support Funds, and other nonexchange transactions.

The statement of net assets-modified cash basis presents the modified cash basis financial condition of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, 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.

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.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 taxes, intergovernmental receipts, Library and Local Government Support Funds, 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.

Library Endowment Fund – The Board established and designated the fund by resolution to account for the receipt of donations, contributions, and gifts for the future operations of the library.

Capital Improvement Fund - The capital improvement 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 additional activities for which the Library wishes to capture additional financial information

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

D. Budgetary Process

All 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 fund and major object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the 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.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents.

During 2005 and 2004, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2005 and 2004 amounted to \$25,860 and \$16,075 respectively, which includes \$6,724 assigned from other funds in 2005, and \$ 4,180 assigned from other funds for 2004.

F. Restricted Assets

Cash and cash equivalents 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 has no restricted assets at December 31, 2005 and December 31, 2004.

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.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for its employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library has no restricted net assets at December 31, 2005 and December 31, 2004.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. 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.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Prior to 2004, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For the years ending December 31, 2005 and 2004, the Library has 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.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 3 – Change in Basis of Accounting (continued)

For the years ending December 31, 2005 and 2004, the Library implemented Governmental Accounting Standard No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. Governmental Accounting Standard No. 40 creates new disclosure requirements for deposits and investments, related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Library's financial statements for 2004 or 2005.

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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Library Endowment Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) in the General Fund for 2005 and 2004 amounted to \$7,600 and \$2,188, respectively.

Note 5 - Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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;

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 5 - Deposits and Investments (continued)

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 (STAROhio).

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.

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 2005 year end, \$1,453 of the Library's bank balance of \$101,453 and at 2004 year end, \$289,706 of the Library's bank balance of \$389,706, were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005 and December 31, 2004, the Library had the following investments:

	2005 Carrying Value	2004 Carrying Value	Maturity
STAROhio	\$711,167	\$340,326	Average

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 5 - Deposits and Investments (continued)

Interest Rate Risk – The Library's investment policy requires that an investment remain sufficiently liquid to enable the library to meet all operating requirements. Portfolio liquidity is defined as the ability to sell a security on a short notice near the par value of the security. The Investment policy requires that liquidity shall be assured by keeping an adequate amount of short-term (30 days or less) investments in the portfolio to accommodate the cash needs of the Library.

Credit Risk – STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library's investment policy limits investments to those authorized by State statute.

Note 6 - Property Taxes/ Library and Local Government Support Fund (LLGSF)

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the London City School District. Property tax receipts received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax receipts received during 2004 for real and public utility property taxes represent collections of the 2003 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. 2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. 2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 6 - Property Taxes/ Library and Local Government Support Fund (LLGSF) (continued)

The full tax rate for all Library operations for the year ended December 31, 2005 and December 31, 2004, was \$1.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	2005	2004
Residential & Agriculture	\$ 206,097,720	\$ 179,265,370
Commercial/Industrial/Mineral	48,748,550	43,104,760
Public Utility Property		
Real & Personal	9,756,700	11,727,460
Tangible Personal Property	32,183,510	30,710,310
Total Assessed Value	\$296,786,480	\$264,807,900

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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 library capital improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the Library contracted with Utica National Insurance Group for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Utica National Insurance Group	Commercial Property	\$1,518,569
	General Liability	2,000,000
	Commercial Crime	20,000
	Inland Marine	606,590
	Vehicle	1,000,000
	Errors and Omissions	15,000

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

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

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

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 plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years 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's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$36,154, \$37,010, and \$44,160 respectively; the full amount has been contributed for 2005, 2004, and 2003. No contributions were made to the member-directed plan.

Note 9 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**LONDON PUBLIC LIBRARY
MADISON COUNTY**

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

Note 9 - Postemployment Benefits (continued)

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 8.00 percent, an annual increase in active employee total payroll of 4.00 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 1.00 and 6.00 percent annually for the next eight years and 4.00 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 and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$15,143 and \$15,501, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's 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 \$18.7 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.

Note 10 – Interfund Transfers

During 2005, the General Fund transferred \$154,500 to the Capital Improvement Capital Projects Fund and \$5,000 to the Automation Capital Projects Fund. During 2004, the General Fund transferred \$135,000 to the Capital Improvement Capital Projects Fund and \$5,000 to the Automation Capital Projects Fund. The transfers were done for the purchase and maintenance of various items throughout the Library. Additionally, during 2004, the Library received approval from the Madison County Probate Court to dissolve the Frank Jones Trust Fund. Based on the journal entry stated by the Probate Judge, the termination of the trust was equitable, practical and in the best interest of the London Public Library. After payment of any debts and charges against the trust, the final distribution of the trust was awarded to the London Public Library. The amount of \$6,229 was transferred from the Frank Jones Trust Fund to the Library Endowment Fund at December 30, 2004.

Note 11 – Contingencies

Litigation

The Library is currently not party to any pending litigation.

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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*

London Public Library
Madison County
20 East First Street
London, Ohio 43140

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 London Public Library, Madison 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 August 24, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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 opinions 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*. In a separate letter to the Library's management dated August 24, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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

London Public Library
Madison County
Independent Accountants' Report on Internal Control over
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Required by *Government Auditing Standards*
Page 2

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

August 24, 2006



**Auditor of State
Betty Montgomery**

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LONDON PUBLIC LIBRARY

MADISON 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
NOVEMBER 9, 2006**