



**Auditor of State  
Betty Montgomery**



**MARTINS FERRY PUBLIC LIBRARY  
BELMONT COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Martins Ferry Public Library  
Belmont County  
20 South Fifth Street  
Martins Ferry, Ohio 43935

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Martins Ferry Public Library, Belmont County, Ohio (the Library), as of and for the year ended 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 cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

**Betty Montgomery**  
Auditor of State

August 16, 2006

**Martins Ferry Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

This discussion and analysis of the Martins Ferry Public Library financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Library's 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 for 2004 are as follows:

Net assets of governmental activities increased \$18,865, or approx 5.79 percent, an insignificant change from the prior year. The fund most affected was the General Fund.

The Library's general receipts are primarily intergovernmental, Local Library Governmental Support Fund (LLGSF). These receipts represent respectively 95% of the total cash received for governmental activities during the year. Intergovernmental receipts for 2004 changed very little compared to 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 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 on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

### **Basis of Accounting**

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

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

**Martins Ferry Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2004, within the limitations of 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 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. The comparison of cash disbursements with program 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 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 indicator 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 Library's property tax base, the condition of the Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Library presents a single type of activity, governmental activity. All of Library's basic services are reported here, including library services, collection development and processing, facilities operation and maintenance, information services, business administration, and capital outlay.

**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 many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Library's major governmental funds are General, Bookmobile and Permanent Improvement.

**Governmental Funds** - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the 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 only major governmental funds are the General Fund, Bookmobile Fund, and the Permanent Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003.



**Martins Ferry Public Library**  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2004  
 (Unaudited)

(Table 1)  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$344,415</u>	<u>\$325,550</u>
Total Assets	<u><u>\$344,415</u></u>	<u><u>\$325,550</u></u>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$200,105	\$228,675
Unrestricted	<u>144,310</u>	<u>96,875</u>
Total Net Assets	<u><u>\$344,415</u></u>	<u><u>\$325,550</u></u>

As mentioned previously, net assets of governmental activities increased \$18,865 or approx 5.79 percent during 2004.

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior information is available, a comparative analysis will be presented.

Because of the freeze and uncertainty of LLGSF revenues, the Martins Ferry Public Library has made cuts in nearly all appropriations in order to curtail costs. Although 5.79% is a minimal amount of increase, we were able to keep within the budget.

Disbursements for the Library represent the overhead costs of running the Library and the support services provided for library materials and information and other Library activities.

**Martins Ferry Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*(Unaudited)*

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2004
General Receipts:	
Intergovernmental LLGSF	\$1,156,132
Patrons Fines and Fees	27,179
Room Rental	407
Refunds and Reimbursements	11,906
Contributions, Gifts, Donations	11,780
Earnings on Investments	4,294
Miscellaneous	245
Total General Receipts	1,211,943
Disbursements:	
Public Service and Programs	421,934
Collection Development and Processing	297,198
Facilities Operation and Maintenance	221,469
Information Services	44,364
Business Administration	169,643
Capital Outlay	38,470
Total Disbursements	1,193,078
Increase in Net Assets	18,865
Net Assets, January 1, 2004	325,550
Net Assets, December 31, 2004	\$344,415

General receipts represent 100 percent of the Library's total receipts, of which 95% are intergovernmental receipts. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the services the Library provides.

**The Library's Funds**

Total Governmental Funds had receipts of \$1,211,943 and disbursements of \$1,193,078. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$47,435, the Permanent Improvement Fund decreased \$12,641 due to improvements made at the new Powhatan Point Branch, the Bookmobile Fund increased \$7,966 as a result of a \$6,500 transfer from General Fund and interest, and the Remaining Fund Information decreased \$23,895 due to the roof replacement at the Flushing Branch.

**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. Final budgeted receipts were \$1,139,196 with actual receipts being \$1,208,543.

During 2004, the Library amended its General Fund budget several times to reflect changing circumstances.

**Martins Ferry Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
(Unaudited)

Final disbursements were budgeted at \$1,235,929, while actual disbursements were \$1,211,869. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. This resulted in a decrease in fund balance of \$3,326 for 2004.

We did not appropriate all of the additional LLGSF that was received in December.

**Capital Assets**

The Martins Ferry Public Library does not currently keep track of its capital assets and infrastructure.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. As the preceding information shows, the Library heavily depends on the LLGSF. With the Local Government Support Fund being frozen at the 2004 level for the calendar year 2005 and now 2006, the Library has decreased disbursements in many areas of the budget. The Library will be challenged to continue to maintain the current level of services and programs due to decreasing receipts and inflation. The Board of Trustees and Library Administration must maintain careful financial planning and wise fiscal management in order to provide services as needed and to balance the budget annually.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Ella Potter, Clerk-Treasurer, Martins Ferry Public Library, 20 South Fifth Street, Martins Ferry, OH 43935 or email at potterma@oplin.org.

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**Martins Ferry Public Library**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$344,415</u>
<i>Total Assets</i>	<u><u>\$344,415</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	\$200,105
Unrestricted	<u>144,310</u>
<i>Total Net Assets</i>	<u><u>\$344,415</u></u>

See accompanying notes to the basic financial statements.

**Martins Ferry Public Library**  
*Statement of Activities Cash Basis*  
For the Year Ended December 31, 2004

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements		Governmental Activities
<b>Governmental Activities</b>		
Library Services:		
Public Service and Programs	\$421,934	(\$421,934)
Collection Development and Processing	297,198	(297,198)
Support Services:		
Facilities Operation and Maintenance	221,469	(221,469)
Information Services	44,364	(44,364)
Business Administration	169,643	(169,643)
Capital Outlay	38,470	(38,470)
<i>Total Governmental Activities</i>	<u>\$1,193,078</u>	<u>(1,193,078)</u>
	<u>\$0</u>	<u>\$0</u>
	<u>\$0</u>	<u>\$0</u>
	<u>\$0</u>	<u>\$0</u>
<b>General Receipts</b>		
Intergovernmental LLGSF		1,156,132
Patron Fines and Fees		27,179
Contributions, Gifts, Donations		11,780
Room Rental		407
Refunds and Reimbursements		11,906
Earnings on Investments		4,294
Miscellaneous		245
<i>Total General Receipts</i>		<u>1,211,943</u>
Change in Net Assets		18,865
<i>Net Assets Beginning of Year</i>		<u>325,550</u>
<i>Net Assets End of Year</i>		<u><u>\$344,415</u></u>

See accompanying notes to the basic financial statements.

**Martins Ferry Public Library**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2004

	General	Bookmobile Fund	Permanent Improvement Fund	Remaining Fund Information	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$144,310	\$104,754	\$47,436	\$47,915	\$344,415
<i>Total Assets</i>	<u>\$144,310</u>	<u>\$104,754</u>	<u>\$47,436</u>	<u>\$47,915</u>	<u>\$344,415</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$50,761	\$	\$	\$	\$50,761
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	93,549				93,549
Capital Projects Funds		104,754	47,436	47,915	200,105
<i>Total Fund Balances</i>	<u>\$144,310</u>	<u>\$104,754</u>	<u>\$47,436</u>	<u>\$47,915</u>	<u>\$344,415</u>

See accompanying notes to the basic financial statements.

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

	General	Bookmobile Fund	Permanent Improvement	Remaining Fund Information	Total Governmental Funds
<b>Receipts</b>					
Intergovernmental LLGSF	\$1,156,132	\$	\$	\$	\$1,156,132
Patron Fines and Fees	27,179				27,179
Room Rental	407				407
Refunds and Reimbursements	11,906				11,906
Contributions, Gifts and Donations	11,780				11,780
Earnings on Investments	894	1,466	859	1,075	4,294
Miscellaneous	245				245
<i>Total Receipts</i>	<u>1,208,543</u>	<u>1,466</u>	<u>859</u>	<u>1,075</u>	<u>1,211,943</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Service and Programs	421,934				421,934
Collection Development and Processing	297,198				297,198
Support Services:					
Facilities Operation and Maintenance	221,469				221,469
Information Services	44,364				44,364
Business Administration	169,643				169,643
Capital Outlay			13,500	24,970	38,470
<i>Total Disbursements</i>	<u>1,154,608</u>	<u>0</u>	<u>13,500</u>	<u>24,970</u>	<u>1,193,078</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>53,935</u>	<u>1,466</u>	<u>(12,641)</u>	<u>(23,895)</u>	<u>18,865</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In		6,500			6,500
Transfers Out	(6,500)				(6,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,500)</u>	<u>6,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	47,435	7,966	(12,641)	(23,895)	18,865
<i>Fund Balances Beginning of Year</i>	<u>96,875</u>	<u>96,788</u>	<u>60,077</u>	<u>71,810</u>	<u>325,550</u>
<i>Fund Balances End of Year</i>	<u>\$144,310</u>	<u>\$104,754</u>	<u>\$47,436</u>	<u>\$47,915</u>	<u>\$344,415</u>

See accompanying notes to the basic financial statements.



**Martins Ferry Public Library**  
*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		
<b>Receipts</b>				
Intergovernmental LLGSF	\$1,034,066	\$1,095,843	\$1,156,132	\$60,289
Patron Fines and Fees	22,800	23,399	27,179	3,780
Room rental	350	350	407	57
Refunds & Reimbursements	500	8,962	11,906	2,944
Contributions, Gifts and Donations	5,500	9,907	11,780	1,873
Earnings on Investments	360	735	894	159
Miscellaneous	0	0	245	245
<i>Total Receipts</i>	<u>1,063,576</u>	<u>1,139,196</u>	<u>1,208,543</u>	<u>69,347</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	383,336	438,463	429,677	8,786
Collection Development and Processing	284,179	326,895	321,029	5,866
Support Services:				
Facilities Operation and Maintenance	216,988	248,940	240,656	8,284
Information Services	44,235	44,572	44,364	208
Business Administration	169,267	170,559	169,643	916
<i>Total Disbursements</i>	<u>1,098,005</u>	<u>1,229,429</u>	<u>1,205,369</u>	<u>24,060</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(34,429)	(90,233)	3,174	93,407
<b>Other Financing (Uses)</b>				
Transfers Out		(6,500)	(6,500)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(6,500)</u>	<u>(6,500)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(34,429)	(96,733)	(3,326)	93,407
<i>Fund Balance Beginning of Year</i>	62,446	62,446	62,446	0
Prior Year Encumbrances Appropriated	34,429	34,429	34,429	0
<i>Fund Balance End of Year</i>	<u>\$62,446</u>	<u>\$142</u>	<u>\$93,549</u>	<u>\$93,407</u>

See accompanying notes to the basic financial statements.

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**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 1 – Description of the Library and Reporting Entity**

The Martins Ferry Public Library was organized as a school district public library in the 1930s under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Martins Ferry 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.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Martins Ferry City School District.

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

The Library participates in the Southeastern Ohio Library Organization (SOLO), a jointly governed organization. Note 11 to the financial statements provides additional information for this entity.

The Friends of the Martins Ferry Public Library is a not-for-profit organization. The Library is not financially accountable for 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.

**Note 2 - Summary of Significant Accounting Policies**

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

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements show activities of the Library that are governmental. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

Bookmobile Fund - The Bookmobile Fund accounts for monies set aside by the Board of Library Trustees for the purchase of a new bookmobile. If the end of year General Fund balance is sufficient, money is transferred to Bookmobile Fund. In 2004, \$6,500 was transferred.

Permanent Improvement Fund - The Permanent Improvement Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (Continued)**

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**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 character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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 statement reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. 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.

**M. Fund Balance Reserves**

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

**N. Interfund Transactions**

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

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 3 – Change in Basis of Accounting**

For fiscal year 2004, the Library has implemented the provisions of GASB Statement No. 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of American; GASB Statement No. 38, for certain financial statement note disclosures; and GASB Statement No. 40 “Deposits and Investment Risk Disclosures”. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed.

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Library has implemented the 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.

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 “Deposits and Investments” for required disclosures.

**Note 4 – Grants-In-Aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF is 5.7% of the State personal income tax. It is currently frozen at 2001 fiscal year level. The LLGSF is allocated to each county based on the county’s prior year LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for 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 any additional revenues the Library receives. The Martins Ferry Public Library receives 43% of the counties allocation.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrance outstanding at year end (budgetary basis) amounted to \$50,761 for the General Fund.

**Note 6 - Deposits and Investments**

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 five-year period of designation of depositories. Inactive deposits must be either 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.

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 6 - Deposits and Investments (Continued)**

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

Interim monies may be deposited or invested in the following securities:

- a. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities 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, 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
- e. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
- f. No-load money market mutual funds consisting exclusively of obligations as described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- g. The State Treasurer's Investment Pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

At December 31, 2004, the carrying amount of all deposits was \$344,115. Custodial credit risk 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 year end, \$203,336 of the Library's bank balance of \$403,336 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by FDIC.

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.



**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 6 - Deposits and Investments (Continued)**

At year end, the Library had \$300 in undeposited cash on hand, which is included as a part of "Equity in Pooled Cash and Cash Equivalents".

**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 2004, the Library contracted with several companies for various types of insurance coverage as follows:

Limits of Insurance:	
Each Occurance Limit	\$500,000
General Aggregate Limit	1,000,000
Products-Completed Operations Aggregate Limit	1,000,000
Personal and Advertising Injury Limit	500,000
<i>Valuable Papers and Records Coverage</i>	4,297,127
<i>Business Auto Coverage</i>	
Liability	1,000,000
Auto. Medical Payments	2,000
Uninsured Motorists	1,000,000
<i>Legal Liability Insurance Coverage</i>	
Legal Liability Each Loss	1,000,000
Legal Liability Each Annual Policy Year	3,000,000

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

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

The Library pays for life insurance for full time employees 30 days after hire and part-time employees after two full years employment. The Martins Ferry Public Library pays 80% hospitalization for non-professional full time employees and 100% for full time professional employees.

**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.

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 8 - Defined Benefit Pension Plan (Continued)**

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 year ended 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 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, 2004, 2003, and 2002 were \$73,238, \$95,061, and \$79,519 respectively; the full amount has been contributed for 2004, 2003, and 2002. Contributions to the member-directed plan for 2004 were \$73,238 made by the Library and \$45,168 made by the plan members.

**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 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.

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, 2003, 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 from 1.00 to 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 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$2,930. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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.

**Martins Ferry Public Library**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2004*

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**Note 10 - Interfund Transfers**

The General Fund transferred \$ 6,500 to the Bookmobile Capital Project Fund for the future purchase of a bookmobile.

**Note 11- Jointly Governed Organization**

The Southeastern Ohio Library Organization (SOLO) is a regional library system created and jointly governed according to the provisions of the Ohio Revised Code 3375.90 through 3375.93. SOLO is composed of fourteen legally-separate libraries within Southeast Ohio: Martins Ferry Public Library, Barnesville Hutton Memorial Library, Bellaire Public Library, Caldwell Public Library, Guernsey County District Library, Kate Love Simpson Library, Monroe County District Library, Perry County District Library, Public Library of Steubenville and Jefferson County, Puskarich Public Library, Newark Public Library, St. Clairsville Public Library, Muskingum County Public Library System, and Washington County Public Library. SOLO is governed by a fourteen member Board of Trustees, selected by the member libraries, which consists of the library administrator or representative from each member library. SOLO provides annual training workshops for member library employees, technical training and assistance and a central graphics center. The Library's control over budgeting and financing of SOLO is limited to its voting authority and its representation on SOLO's Board of Trustees.

**Note 12- Related Party Transactions**

The Library pays an annual fee to SOLO Regional Library System, a jointly governed organization, of which the Library is a member. The Library paid \$4,000 to SOLO during the period January 1, 2004 through December 31, 2004.

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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*

Martins Ferry Public Library  
Belmont County  
20 South Fifth Street  
Martins Ferry, Ohio 43935

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 Martins Ferry Public Library, Belmont County, Ohio (the Library), as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 16, 2006, wherein we noted the Library revised its financial presentation comparable to requirements of Governmental Accounting Standards Board Statement No. 34. 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 basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

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

Martins Ferry Public Library  
Belmont 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 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

August 16, 2006



**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**MARTINS FERRY PUBLIC LIBRARY  
BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 7, 2006**