



**Auditor of State
Betty Montgomery**

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

St. Paris Public Library
Champaign County
P.O. Box 740
St. Paris, Ohio 43072

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 St. Paris Public Library, Champaign County, (the "Library"), as of and for the years ended December 31, 2005 and 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2005 and 2004, and the respective changes in modified 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 1 describes.

For the years ended December 31, 2005 and 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*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

November 10, 2006

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

This discussion and analysis of the St. Paris Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 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 2005 and 2004 are as follows:

Net assets of governmental activities decreased \$21,360 during 2005 and \$49,762 during 2004. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs during 2005 and 2004.

The Library's general receipts are primarily Library & Local Government Support. These receipts represent 92.60% and 93.54% of the total cash received for governmental activities during 2005 and 2004 respectively.

The Library's LLGSF has been frozen at 2002 levels while costs, especially in the area of personnel, continue to climb, the effect of which is the draining of carryover reserves.

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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN 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 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 activity. 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.

In the statement of net assets and the statement of activities, all of the Library's activities are presented as library services.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government establishes separate funds to better manage its 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 has only governmental funds and its activities are reported within these 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, Building and Repair, Capital Improvement, Contingency, and Richard Barger Trust .

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a modified cash basis:

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

(Table 1)

Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$396,987	\$418,347
Investments	2,300	2,300
Total Assets	\$399,287	\$420,647
Net Assets		
Restricted for:		
Capital Outlay	209,848	210,224
Permanent:		
Non-Expendable	64,486	64,486
Other Purposes	5,759	5,759
Unrestricted	119,194	140,178
Total Net Assets	\$399,287	\$420,647

As mentioned previously, the Library's net assets decreased \$21,360 and \$49,762 during 2005 and 2004, respectively, primarily due to the fact that LLGSF has been frozen at 2002 levels while personnel costs continue to climb. The most significant increase in personnel cost is health insurance.

Table 2 reflects the changes in net assets during 2005 and 2004

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	Governmental Activities 2005	Governmental Activities 2004	Total 2005 & 2004
Receipts:			
Program Receipts:			
Patron Fines and Fees	\$15,233	\$12,949	\$28,182
Operating Grants and Contributions	574	2,270	2,844
Total Program Receipts	<u>\$15,807</u>	<u>\$15,219</u>	<u>\$31,026</u>
General Receipts:			
Grants & Entitlements	313,076	311,369	624,445
Interest	7,737	5,617	13,354
Miscellaneous	1,487	678	2,165
Total General Receipts	<u>322,300</u>	<u>317,664</u>	<u>639,964</u>
Total Receipts	<u>\$338,107</u>	<u>\$332,883</u>	<u>\$670,990</u>
Disbursements:			
Library Services	356,061	368,167	724,228
Capital Outlay	3,406	14,478	17,884
Total Disbursements	<u>\$359,467</u>	<u>\$382,645</u>	<u>\$742,112</u>
Increase (Decrease) in Net Assets	(21,360)	(49,762)	(71,122)
Net Assets, January 1, 2005 and 2004	<u>420,647</u>	<u>470,409</u>	466,847
Net Assets, December 31, 2005 and 2004	<u>\$399,287</u>	<u>\$420,647</u>	<u>\$395,725</u>

Program receipts represent only around 5% percent of total receipts and are primarily comprised of patron receipts for overdue fines, copy machine revenue, and contributions. General receipts make up the other 95% of revenue. Disbursements for Library Services represent the overhead costs of running the Library.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

The Government's Funds

Total governmental funds had receipts of \$338,107 and \$332,883 and disbursements of \$359,467 and \$382,645 for 2005 and 2004, respectively. The fund balance of the General Fund decreased \$20,984 during 2005 and \$38,585 during 2004 as the result of increased costs for salaries and benefits and frozen levels of Local Government Support.

General Fund receipts were less than disbursements by \$20,984 and \$38,585 for 2005 and 2004, indicating that the General Fund is in a deficit spending situation. The board of trustees decided that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if Local Government Funds remain frozen or decrease.

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 disbursements were budgeted at \$454,155 and \$476,453 for 2005 and 2004, respectively, while actual disbursements were \$367,395 and \$372,045. Although receipts failed to live up to expectations, appropriations were not reduced. The Library kept spending under budgeted amounts as demonstrated by the positive variances. The result is the decrease in fund balance of \$20,984 during 2005 and \$38,585 during 2004.

Current Issues

The challenge all Local Governments face is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library relies almost exclusively on the Local Government Support which has been cut and then frozen for the last several years. The board of trustees is monitoring the financial trends of the library and will continue to keep spending under budgeted amounts as much as possible while considering when or if more money will have to be requested from the taxpayers.

Contacting the Government's Financial Management

This financial report is designed to provide our patrons and the taxpayers, with a general overview of the Library's finances and to reflect its accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Diane Kremer, Fiscal Officer, St. Paris Public Library, 127 E. Main St., St. Paris, Ohio 43072.

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ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$396,987
Investments	<u>2,300</u>
Total Assets	<u><u>399,287</u></u>
Net Assets	
Restricted for:	
Capital Projects	209,848
Permanent:	
Non-Expendable	64,486
Expendable	
Other Purposes	5,759
Unrestricted	<u>119,194</u>
Total Net Assets	<u><u>\$399,287</u></u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes Fund Balances
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Library Services	\$356,061	\$15,233	\$574	(\$340,254)
Capital Outlay	3,406			(3,406)
Total Governmental Activities	\$359,467	\$15,233	\$574	(343,660)
General Receipts				
				313,076
Grants and Entitlements not Restricted to Specific Programs				7,737
Earnings on Investments				1,487
Miscellaneous				322,300
Total General Receipts				(21,360)
Change in Net Assets				420,647
Net Assets Beginning of Year				\$399,287
Net Assets End of Year				

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	<u>General</u>	<u>Building and Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>	<u>Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$119,194	\$46,162	\$100,000	\$50,000	\$53,725	\$27,906	\$396,987
Investments						2,300	2,300
Total Assets	<u>119,194</u>	<u>46,162</u>	<u>100,000</u>	<u>50,000</u>	<u>53,725</u>	<u>30,206</u>	<u>399,287</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	9,087						9,087
Unreserved, Reported in:							
General Fund	110,107						110,107
Special Revenue Funds						5,759	5,759
Debt Service Fund							
Capital Projects Funds		46,162	100,000	50,000		13,686	209,848
Permanent Fund					53,725	10,761	64,486
Total Fund Balances	<u>\$119,194</u>	<u>\$46,162</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$53,725</u>	<u>\$30,206</u>	<u>\$399,287</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	<u>General</u>	<u>Building and Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>	<u>Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts							
Library and Local Government Support	\$311,660						\$311,660
Intergovernmental	708					708	1,416
Patron, Fines, and Fees	15,233						15,233
Contributions, Gifts and Donations	499	75					574
Earnings on Investments	7,737						7,737
Miscellaneous	1,487						1,487
Total Receipts	<u>337,324</u>	<u>75</u>				<u>708</u>	<u>338,107</u>
Disbursements							
Current:							
Library Services	355,488					574	356,062
Capital Outlay	2,820					585	3,405
Total Disbursements	<u>358,308</u>					<u>1,159</u>	<u>359,467</u>
Receipts Over (Under) Disbursements	(20,984)	75				(451)	(21,360)
Fund Balances Beginning of Year	140,178	46,087	100,000	50,000	53,725	30,657	420,647
Fund Balances End of Year	<u>\$119,194</u>	<u>\$46,162</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$53,725</u>	<u>\$30,206</u>	<u>\$399,287</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH 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>		<u>Actual</u>
Cash Receipts				
Library and Local Government Support	\$309,414	\$309,414	\$311,660	\$2,246
Intergovernmental			708	708
Patron, Fines and Fees	10,400	10,400	15,233	4,833
Contributions, Gifts, and Donations	1,000	1,000	499	(501)
Earnings on Investments	4,000	4,000	7,737	3,737
Miscellaneous	1,000	1,000	1,487	487
Total Cash Receipts	<u>325,814</u>	<u>325,814</u>	<u>337,324</u>	<u>11,510</u>
Cash Disbursements				
Current:				
Library Services	447,155	447,155	364,575	82,580
Capital Outlay	7,000	7,000	2,820	4,180
Total Cash Disbursements	<u>454,155</u>	<u>454,155</u>	<u>367,395</u>	<u>86,760</u>
Net Change in Fund Balance	(128,341)	(128,341)	(30,071)	98,270
Fund Balance Beginning of Year	137,685	137,685	137,685	
Prior Year Encumbrances Appropriated	2,493	2,493	2,493	
Fund Balance End of Year	<u>\$11,837</u>	<u>\$11,837</u>	<u>\$110,107</u>	<u>\$98,270</u>

See accompanying notes to the basic financial statements.

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$418,347
Investments	<u>2,300</u>
Total Assets	<u><u>420,647</u></u>
Net Assets	
Restricted for:	
Capital Projects	210,224
Permanent:	
Non-Expendable	64,486
Other Purposes	5,759
Unrestricted	<u>140,178</u>
Total Net Assets	<u><u>\$420,647</u></u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes Fund Balances</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Library Services	\$368,167	\$12,949	\$2,270	(\$352,948)
Capital Outlay	14,478			(14,478)
Total Governmental Activities	<u>\$382,645</u>	<u>\$12,949</u>	<u>\$2,270</u>	<u>(367,426)</u>
 General Receipts				
Grants and Entitlements not Restricted to Specific Programs				311,369
Earnings on Investments				5,617
Miscellaneous				678
Total General Receipts				<u>317,664</u>
Change in Net Assets				(49,762)
Net Assets Beginning of Year				<u>470,409</u>
Net Assets End of Year				<u>\$420,647</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	<u>General</u>	<u>Building and Repair</u>	<u>Capital Improvement</u>	<u>Contingency</u>	<u>Richard Barger Bequest</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$140,178	\$46,087	\$100,000	\$50,000	\$53,725	\$28,357	\$418,347
Investments						2,300	2,300
Total Assets	<u>140,178</u>	<u>46,087</u>	<u>100,000</u>	<u>50,000</u>	<u>53,725</u>	<u>30,657</u>	<u>\$420,647</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	2,493						2,493
Unreserved, Reported in:							
General Fund	137,685						137,685
Special Revenue Funds						5,759	5,759
Capital Projects Funds		46,087	100,000	50,000		14,137	210,224
Permanent Fund					53,725	10,761	64,486
Total Fund Balances	<u>\$140,178</u>	<u>\$46,087</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$53,725</u>	<u>\$30,657</u>	<u>\$420,647</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	General	Building and Repair	Capital Improvement	Contingency	Richard Barger Bequest	Other Governmental Funds	Total Governmental Funds
Receipts							
Library and Local Government Support	\$309,953						\$309,953
Intergovernmental						1,416	1,416
Patron, Fines, and Fees	12,949						12,949
Contributions, Gifts and Donations	1,770	500					2,270
Earnings on Investments	5,617						5,617
Miscellaneous	678						678
Total Receipts	330,967	500				1,416	332,883
Disbursements							
Current:							
Library Services	366,852	1,315					368,167
Capital Outlay	2,700					11,778	14,478
Total Disbursements	369,552	1,315				11,778	382,645
Receipts (Under) Disbursements	(38,585)	(815)				(10,362)	(49,762)
Fund Balances Beginning of Year	178,763	46,902	100,000	50,000	53,725	41,019	470,409
Fund Balances End of Year	<u>\$140,178</u>	<u>\$46,087</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$53,725</u>	<u>\$30,657</u>	<u>\$420,647</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Cash Receipts				
Library and Local Government Support	\$309,414	\$309,414	\$309,953	\$539
Patron, Fines and Fees	10,400	10,400	12,949	2,549
Contributions, Gifts, and Donations	500	500	1,770	1,270
Earnings on Investments	4,000	4,000	5,617	1,617
Miscellaneous	1,000	1,000	678	(322)
Total Cash Receipts	<u>325,314</u>	<u>325,314</u>	<u>330,967</u>	<u>5,653</u>
Cash Disbursements				
Current:				
Library Services	469,453	469,453	369,345	(100,108)
Capital Outlay	7,000	7,000	2,700	(4,300)
Total Cash Disbursements	<u>476,453</u>	<u>476,453</u>	<u>372,045</u>	<u>(104,408)</u>
Net Change in Fund Balance	(151,139)	(151,139)	(41,078)	110,061
Fund Balance Beginning of Year	176,270	176,270	176,270	
Prior Year Encumbrances Appropriated	2,493	2,493	2,493	
Fund Balance End of Year	<u>\$27,624</u>	<u>\$27,624</u>	<u>\$137,685</u>	<u>\$110,061</u>

See accompanying notes to the basic financial statements.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

1. REPORTING ENTITY

The St. Paris Public Library (the Library) was organized as a school district public library during 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven volunteer members from the community in which the appointments are approved by the Graham Board of Education. Trustees serve 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 Graham Local School District, 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 Graham Local School District.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented 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 cash basis of accounting. Following are the more significant of the Library's accounting policies.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide financial 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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 and other non-exchange 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 or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

2. Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds 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. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Library are grouped into the governmental category.

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange 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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major repairs and improvements to the library building.

Capital Improvements Fund – The capital improvements fund accounts for monies set aside by the Board of Library Trustees specifically for capital improvements such as enlargement of the library building or the opening of branch libraries and any other major expenditure not accounted for in the building and repair fund.

Contingency Fund – The contingency fund accounts for monies set aside by the Board of Library Trustees specifically to be used in an unusual financial emergency such as loss of state funds.

Richard Barger Bequest – Richard Barger Bequest Fund is a trust restricted as to principal; purpose is to use the investment income for general use; the principal is to remain intact.

C. Basis of Accounting

The Library's financial statements are prepared using the 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.

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/function/object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004 and 2005, investments were limited to Certificates of Deposit at the First Central National Bank of St. Paris, deposits with STAR Ohio, and 675 shares of Dayton Power & Light stock. The investments are recorded at cost, except for the stock and it is valued at the market value at time received.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004 and December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest received and credited to the general fund during 2005 and 2004 amounted to \$7,737 and \$5,617, respectively, including interest of \$5,416 and \$3,763 assigned from other Library funds.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance Reserves

The Library reserves those portions of fund equity which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. A fund equity reserve has been established for encumbrances.

G. 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.

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for 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.

J. 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.

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For the years ended December 31, 2003 and 2002, 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 December 31, 2005 and 2004 (current years under audit), 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 non-major funds aggregated and presented in a single column, rather than a column for each fund type.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at December 31, 2005 and 2004 (budgetary basis) for the General Fund were \$9,087 and \$2,493, respectively.

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

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

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

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

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7. The State Treasurer's investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions.

A. Deposits

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 December 31, 2005 and 2004, \$108,515 and 133,989 of the Library's bank balance of \$383,515 and \$408,989, respectively, was 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.

B. Investments

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

	Carrying Value	Maturity
STAR Ohio	\$20,272	Average

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

	Carrying Value	Maturity
STAR Ohio	\$19,628	Average

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The Library received a gift of Dayton Power and Light (DP&L) stock during 1981 with a market value of \$2,300. The fair market value of this stock as of December 31, 2005 was \$17,575 and for 2004 was \$16,909.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

6. 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 and 2004, the Library contracted with the Utica National Insurance Group through Dye & Doss Insurance Agency for the following insurance coverage:

Company	Type of Coverage	Coverage
Utica National Insurance Group	Commercial Property General Liability Inland Marine Vehicle	\$1,764,099 6,105,000 616,550 1,000,000

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 and wages. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library paid health insurance premiums (100%) for eligible employees through Graham Local Schools for the years 2005 and 2004.

7. 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 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 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

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

7. DEFINED BENEFIT PENSION PLAN (Continued)

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 \$22,474, \$29,453, and \$24,622 respectively; the full amount required was paid by the Library to OPERS

8. POST-EMPLOYMENT 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.

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 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 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$147,863. 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 \$10.5 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.

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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**

St. Paris Public Library
Champaign County
P.O. Box 749
St. Paris, Ohio 43072

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 St. Paris Public Library, Champaign County, (the "Library"), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 10, 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 also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated November 10, 2006, we reported matters involving internal control over financial reporting we did not deem a reportable condition.

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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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule as finding as item 2005-001. In a separate letter to the Library's management dated November 10, 2006, we reported another matter related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

November 10, 2006

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 135.18(A) states the treasurer of a political subdivision shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government.

Throughout 2005 and 2004, the collateral pledged by the Library's Bank plus FDIC coverage was not adequate to cover deposits. The deposits in excess of this coverage ranged from \$107,935 to \$399,248.

The Library should periodically review bank balances to help assure that pledged collateral and FDIC coverage is adequate to cover deposits.

OFFICIALS' RESPONSE

The issue of finding number 2005-001 has been rectified and the Fiscal Officer and Finance Committee will monitor the Library's funds to ensure compliance with this issue.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	The Library's Board of Trustees should approve transfers	Yes	
2003-002	Purchase orders were not completed in a timely manner	Yes	
2003-003	The Library did not have support documentation for some expenditures	Yes	



**Auditor of State
Betty Montgomery**

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ST. PARIS PUBLIC LIBRARY

CHAMPAIGN 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
DECEMBER 7, 2006**