



**Auditor of State  
Betty Montgomery**



**WILMINGTON PUBLIC LIBRARY  
FAYETTE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Wilmington Public Library  
Clinton County  
268 North South Street  
Wilmington, Ohio 45177

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 Wilmington Public Library, Clinton County, Ohio (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 2C, 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 Wilmington Public Library, Clinton County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2005 and 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 October 5, 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

October 5, 2006

Wilmington Public Library  
Management's Discussion and Analysis  
For the Years Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of the Wilmington Public Library's 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:

In 2005, net assets of governmental activities decreased \$117,367 or 11.2 percent. The fund most affected by the decrease in cash and cash equivalents was the Land Acquisition and Improvement Fund, due to the purchase of land for the purpose of future parking. In 2004, net assets of governmental activities decreased \$302,459, or 22.4 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Branch Library Fund, due to the opening of a branch library at the Clinton Massie High School.

The Library's general receipts are primarily the Library and Local Government Support Fund. During 2005 and 2004, these receipts represented 89.9 percent and 92.9 percent respectively of the total cash received for governmental activities. LLGSF tax receipts for 2005 changed little compared to 2004 due to a freeze of LLGSF by the Ohio government.

During 2005, the net change in the General Fund balance was \$3,664, which is a decrease of 1.1 percent. During 2004, the net change in the General Fund balance was \$81,444, which is a decrease of 20 percent.

During 2005, the Building Fund had a decrease of \$12,271 or 10.3 percent. Expenditures were made to repair and maintain the building. The Land Acquisition and Improvement Fund had a decrease of \$90,514 or 21.9 percent due to the purchase of property. During 2004, the Technology Fund had a decrease of \$48,336, or 33.5 percent, due to the replacement of the computer system. The Branch Library fund had a decrease of \$235,501 or 99.7 percent due to the opening of the Branch Library at Clinton-Massie High School.

### **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.

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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.

### **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 and investments 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 condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue sources such as LLGSF.

### **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 funds of the Library are split into two categories: governmental and fiduciary.

Governmental Funds - Most 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

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whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, the Building and Repair Fund and the Land Acquisition and Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2005 and 2004 on a cash basis:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$927,033	\$1,044,400
Investments		
Total Assets	<u>\$927,033</u>	<u>\$1,044,400</u>
<b>Net Assets</b>		
Restricted for:		
Debt Service		
Capital Projects	499,327	602,708
Other Purposes	106,279	116,601
Unrestricted	<u>321,427</u>	<u>325,091</u>
Total Net Assets	<u>\$927,033</u>	<u>\$1,044,400</u>

As mentioned previously, net assets of governmental activities decreased \$117,367 or 11.2 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- There has been little change in the receipt of income taxes. As a result, there has been a freeze of the Library and Local Government Support Fund.
- The cost of employee salaries and benefits increased by almost 7.9 percent in 2005.
- The Library purchased adjacent property at a cost of \$99,507 for the purpose of additional parking.
- Health benefit costs increased in 2005. The Library's share of premiums in 2004 was \$45,317 and in 2005 increased to \$59,171.

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

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

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$22,272	\$21,244
Operating Grants and Contributions		
Capital Grants and Contributions		
Total Program Receipts	<u>22,272</u>	<u>21,244</u>
General Receipts:		
LLGSF	706,242	702,375
Contributions, Gifts and Donations	20,227	934
Earnings on Investments	30,642	22,984
Miscellaneous	6,270	8,119
Total General Receipts	<u>763,381</u>	<u>734,412</u>
Total Receipts	<u>785,653</u>	<u>755,656</u>
Disbursements:		
Library Services	784,088	749,880
Capital Outlay	118,932	308,235
Total Disbursements	<u>903,020</u>	<u>1,058,115</u>
Excess (Deficiency) Before Transfers	(117,367)	(302,459)
Transfers		
Increase (Decrease) in Net Assets	<u>(117,367)</u>	<u>(302,459)</u>
Net Assets, January 1	<u>1,044,400</u>	<u>1,346,859</u>
Net Assets, December 31	<u>\$927,033</u>	<u>\$1,044,400</u>

In 2005 and 2004, program receipts represent only 2.8 percent of total receipts and are comprised primarily of fines for lost books and copies.

In 2005, general receipts represent 97.2 percent of the Library's total receipts, and of this amount, 92.5 percent is LLGSF. In 2004, general receipts represent 97.2 percent of the Library's total receipts, and of this amount, over 95.6 percent are LLGSF. Contributions and earnings on investments make up the balance of the Library's general receipts and are somewhat unpredictable revenue sources.

In 2005 and 2004, disbursements for Library services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of payroll and maintenance of the building.

**Governmental Activities**

If you look at the Statement of Activities on pages 8 and 14, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for Library services are for library materials, facilities operation/maintenance

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and payroll/ benefits, which accounts for 86.8 percent of governmental disbursements during 2005 and 70.8 percent during 2004. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost of Services 2005	Total Cost of Services 2005	Total Cost of Services 2004	Total Cost of Services 2004
Library Services	\$785,088	\$761,816	\$749,880	\$728,636
Capital Outlay	118,932	118,932	308,235	308,235
Total Expenses	<u>\$903,020</u>	<u>\$880,748</u>	<u>\$1,058,115</u>	<u>\$1,036,871</u>

The dependence upon LLGSF tax receipts is apparent as over 97.5 percent of governmental activities for 2005 and 98 percent for 2004 are supported through these general receipts.

**The Library's Funds**

In 2005, total governmental funds had receipts of \$785,654 and disbursements of \$903,020. The greatest change within governmental funds occurred within the Land Acquisition and Improvement Fund. The fund balance of the Land Acquisition and Improvement Fund decreased \$90,514 as the result of the purchase of property for the purpose of parking. Lack of parking space is a significant problem for the Library.

In 2004, total governmental funds had receipts of \$755,541 and disbursements of \$1,058,115. The greatest change within governmental funds occurred within the Branch Library Fund. The fund balance of the Branch Library Fund decreased \$253,501 as the result of entering into an agreement to open a branch library at the Clinton Massie High School.

In 2005, General Fund receipts were less than disbursements by \$3,664 indicating that the General Fund is in a deficit spending situation. In 2004, General Fund receipts were less than disbursements by \$81,444. The General Fund decreased as a result of increased costs for salaries and benefits and not achieving growth in the LLGSF. The Library has made reductions in expenditures where possible. Any further significant reductions would require reducing service hours available to the public, reductions in maintenance and/or a hiring freeze.

In 2005, the Building and Repair fund receipts were less than disbursements by \$12,271 indicating that the Building and Repair Fund is in a deficit spending situation. In 2004, Building and Repair Fund receipts were more than disbursements by \$75,404. In 2004, the Library purchased and had installed a new chiller for the Library.

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**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2004, the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a reduction in LLGSF receipts. In 2005, the difference between final budgeted receipts and actual receipts was due to several bequests made to the Library and a better return on investments than expected. This partially offset the reduction in LLGSF. In 2004, final budgeted receipts were below original budgeted receipts due to lower donations. The difference between final budgeted receipts and actual receipts was not significant.

In 2005, final disbursements were budgeted at \$812,034 while actual disbursements were \$797,383. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. In 2004, final disbursements were budgeted at \$794,628 while actual disbursements were \$751,095.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not currently record its capital assets and infrastructure on the financial statements.

**Debt**

At December 31, 2005 the Library had no outstanding debt.

**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. We rely heavily on the Library and Local Government Support Fund. The Finance committee and the administration are in the process of developing strategies to reduce costs. We are reviewing our sources of revenue and the disbursement history of the Library. All departments have been asked to reduce their spending.

**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 Sandra Arrasmith, Clerk-Treasurer, Wilmington Public Library, 268 North South St., Wilmington, Ohio 45177.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$927,033
<i>Total Assets</i>	<u><u>\$927,033</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$499,327
Permanent Fund: ART BOOKS	
Nonexpendable	2,500
Permanent Fund: LIBRARY MATERIALS	
Expendable	407
Nonexpendable	2,000
Permanent Fund: NO RESTRICTION	
Expendable	128
Nonexpendable	1,000
Other Purposes	100,244
Unrestricted	321,427
<i>Total Net Assets</i>	<u><u>\$927,033</u></u>

See accompanying notes to the basic financial statements.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**

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

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  Charges for Services and Sales	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>  Governmental Activities
<b>Governmental Activities</b>			
Library Services	\$784,088	\$22,272	(\$761,816)
Capital Outlay	118,932	0	(118,932)
<i>Total Governmental Activities</i>	<u>\$903,020</u>	<u>\$22,272</u>	<u>(880,748)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Contributions			\$20,227
Grants and Entitlements not Restricted to Specific			706,242
Earnings on Investments			30,642
Miscellaneous			<u>6,270</u>
<i>Total General Receipts</i>			763,381
Change in Net Assets			<u>(117,367)</u>
<i>Net Assets Beginning of Year</i>			<u>1,044,400</u>
<i>Net Assets End of Year</i>			<u>\$927,033</u>

See accompanying notes to the basic financial statements.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2005*

	GENERAL FUND	BUILDING & REPAIR FUND	LAND ACQUISTION &IMPROVEMT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$321,427	\$176,447	\$322,880	\$106,279	\$927,033
Investments	0	0	0	0	0
<i>Total Assets</i>	<u>\$321,427</u>	<u>\$176,447</u>	<u>\$322,880</u>	<u>\$106,279</u>	<u>\$927,033</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$23,631	\$0	\$0	\$0	\$23,631
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	297,796	0	0	0	297,796
Special Revenue Funds	0	0	0	100,244	100,244
Capital Projects Funds	0	176,447	322,880	0	499,327
Permanent Fund	0	0	0	6,035	6,035
<i>Total Fund Balances</i>	<u>\$321,427</u>	<u>\$176,447</u>	<u>\$322,880</u>	<u>\$106,279</u>	<u>\$927,033</u>

See accompanying notes to the basic financial statements.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	GENERAL FUND	BUILDING & REPAIR FUND	LAND ACQUISITION &IMPROVEMT	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>					
Library and Local Government Support	\$706,242	\$0	\$0	\$0	\$706,242
Patron, Fines and Fees	22,272	0	0	0	22,272
Contributions, Gifts and Donations	23,317	0	0	0	23,317
Earnings on Investments	17,342	3,562	6,728	3,010	30,642
Miscellaneous	915	0	2,265	0	3,180
<b>Total Receipts</b>	<u>770,088</u>	<u>3,562</u>	<u>8,993</u>	<u>3,010</u>	<u>785,653</u>
<b>Disbursements</b>					
Current:					
Library Services	758,923	15,833	0	9,332	784,088
Capital Outlay	14,829	0	99,507	4,596	118,932
<b>Total Disbursements</b>	<u>773,752</u>	<u>15,833</u>	<u>99,507</u>	<u>13,928</u>	<u>903,020</u>
<b>Net Change in Fund Balances</b>	(3,664)	(12,271)	(90,514)	(10,918)	(117,367)
<b>Fund Balances Beginning of Year</b>	<u>325,091</u>	<u>188,718</u>	<u>413,394</u>	<u>117,197</u>	<u>1,044,400</u>
<b>Fund Balances End of Year</b>	<u>\$321,427</u>	<u>\$176,447</u>	<u>\$322,880</u>	<u>\$106,279</u>	<u>\$927,033</u>

See accompanying notes to the basic financial statements.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis*

*Fiduciary Funds*

*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,708
<i>Total Assets</i>	<u><u>\$13,708</u></u>
<b>Net Assets</b>	
Restricted for:	
Regional Library Programs	<u>\$13,708</u>
<i>Total Net Assets</i>	<u><u>\$13,708</u></u>

See accompanying notes to the basic financial statements.

**WILMINGTON PUBLIC LIBRARY, CLINTON COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Library and Local Government Support	\$732,837	\$706,242	\$706,242	\$0
Patron, Fines and Fees	21,500	21,500	22,272	772
Contributions, Gifts and Donations	6,800	10,825	23,317	12,492
Earnings on Investments	15,850	11,825	17,342	5,517
Miscellaneous	500	500	915	415
<i>Total receipts</i>	<u>777,487</u>	<u>750,892</u>	<u>770,088</u>	<u>19,196</u>
<b>Disbursements</b>				
Current:				
Library Services	767,334	796,534	782,554	13,980
Capital Outlay	8,000	15,500	14,829	671
<i>Total Disbursements</i>	<u>775,334</u>	<u>812,034</u>	<u>797,383</u>	<u>14,651</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,153</u>	<u>(61,142)</u>	<u>(27,295)</u>	<u>33,847</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	(5,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,847)	(61,142)	(27,295)	33,847
<i>Fund Balance Beginning of Year</i>	310,924	310,924	310,924	0
Prior Year Encumbrances Appropriated	14,167	14,167	14,167	0
<i>Fund Balance End of Year</i>	<u>\$322,244</u>	<u>\$263,949</u>	<u>\$297,796</u>	<u>\$33,847</u>

See accompanying notes to the basic financial statements.

**WILMINGTON LIBRARY, CLINTON COUNTY**

*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	\$1,044,400
<i>Total Assets</i>	<u><u>\$1,044,400</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$602,708
Permanent Fund: ART BOOKS	
Nonexpendable	2,500
Permanent Fund: LIBRARY MATERIALS	
Expendable	407
Nonexpendable	2,000
Permanent Fund: NO RESTRICTION	
Expendable	128
Nonexpendable	1,000
Other Purposes	110,566
Unrestricted	325,091
<i>Total Net Assets</i>	<u><u>\$1,044,400</u></u>

See accompanying notes to the basic financial statements.

**WILMINGTON LIBRARY, CLINTON COUNTY**

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

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  Charges for Services and Sales	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>  Governmental Activities
<b>Governmental Activities</b>			
Library Services	\$749,880	\$21,244	(\$728,636)
Capital Outlay	308,235	0	(308,235)
<i>Total Governmental Activities</i>	<u>\$1,058,115</u>	<u>\$21,244</u>	<u>(1,036,871)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Contributions			\$934
Grants and Entitlements not Restricted to Specific Programs			702,375
Sale of Fixed Assets			115
Earnings on Investments			22,984
Miscellaneous			8,004
<i>Total General Receipts</i>			<u>734,412</u>
Change in Net Assets			(302,459)
<i>Net Assets Beginning of Year</i>			<u>1,346,859</u>
<i>Net Assets End of Year</i>			<u>\$1,044,400</u>

See accompanying notes to the basic financial statements.

**WILMINGTON LIBRARY, CLINTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2004*

	GENERAL FUND	BUILDING & REPAIR FUND	LAND ACQUISTION &IMPROVEMT	BRANCH LIBRARY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$325,091	\$188,718	\$413,394	\$596	\$116,601	\$1,044,400
<i>Total Assets</i>	<u>\$325,091</u>	<u>\$188,718</u>	<u>\$413,394</u>	<u>\$596</u>	<u>\$116,601</u>	<u>\$1,044,400</u>
<b>Fund Balances</b>						
Reserved:						
Reserved for Encumbrances	\$22,500	\$6,925	\$0	\$596	\$0	\$30,021
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	302,591	0	0	0	0	302,591
Special Revenue Funds	0	0	0	0	110,566	110,566
Capital Projects Funds	0	181,793	413,394	0	0	595,187
Permanent Fund	0	0	0	0	6,035	6,035
<i>Total Fund Balances</i>	<u>\$325,091</u>	<u>\$188,718</u>	<u>\$413,394</u>	<u>\$596</u>	<u>\$116,601</u>	<u>\$1,044,400</u>

See accompanying notes to the basic financial statements.

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

	GENERAL FUND	BUILDING & REPAIR FUND	LAND ACQUISTION &IMPROVEMT	BRANCH LIBRARY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>Receipts</b>						
Library and Local Government Support	\$702,375	\$0	\$0	\$0	\$0	\$702,375
Patron, Fines and Fees	21,244	0	0	0	0	21,244
Contributions, Gifts and Donations	6,663	0	0	0	0	6,663
Earnings on Investments	14,478	1,446	5,223	366	1,471	22,984
Miscellaneous	2,275	0	0	0	0	2,275
<b>Total Receipts</b>	<b>747,035</b>	<b>1,446</b>	<b>5,223</b>	<b>366</b>	<b>1,471</b>	<b>755,541</b>
<b>Disbursements</b>						
Current:						
Library Services	716,787	26,042	0	1,593	5,458	749,880
Capital Outlay	11,807	0	0	252,274	44,154	308,235
<b>Total Disbursements</b>	<b>728,594</b>	<b>26,042</b>	<b>0</b>	<b>253,867</b>	<b>49,612</b>	<b>1,058,115</b>
Excess of Receipts Over (Under) Disbursements	18,441	(24,596)	5,223	(253,501)	(48,141)	(302,574)
Other Financing Sources (Uses)						
Sale of Fixed Assets	115	0	0	0	0	115
Transfers In	0	100,000	0	0	0	100,000
Transfers Out	(100,000)	0	0	0	0	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(99,885)</b>	<b>100,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115</b>
<b>Net Change in Fund Balances</b>	<b>(81,444)</b>	<b>75,404</b>	<b>5,223</b>	<b>(253,501)</b>	<b>(48,141)</b>	<b>(302,459)</b>
Fund Balances Beginning of Year	406,535	113,314	408,171	254,097	164,742	1,346,859
<b>Fund Balances End of Year</b>	<b>\$325,091</b>	<b>\$188,718</b>	<b>\$413,394</b>	<b>\$596</b>	<b>\$116,601</b>	<b>\$1,044,400</b>

See accompanying notes to the basic financial statements.

**WILMINGTON LIBRARY, CLINTON COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis*

*Fiduciary Funds*

*December 31, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,294
<i>Total Assets</i>	<u><u>\$13,294</u></u>
<b>Net Assets</b>	
Restricted for:	
Regional Library Programs	<u>13,294</u>
<i>Total Net Assets</i>	<u><u>\$13,294</u></u>

See accompanying notes to the basic financial statements.

**WILMINGTON LIBRARY, CLINTON COUNTY**

*Statement of Receipts, 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
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Library and Local Government Support	\$701,418	\$701,418	\$702,375	\$957
Patron, Fines and Fees	21,630	21,630	21,244	(386)
Contributions, Gifts and Donations	7,000	4,250	6,663	2,413
Earnings on Investments	14,935	14,935	14,478	(457)
Miscellaneous	500	500	2,275	1,775
<i>Total receipts</i>	<u>745,483</u>	<u>742,733</u>	<u>747,035</u>	<u>4,302</u>
<b>Disbursements</b>				
Current:				
Library Services	757,597	781,578	738,130	43,448
Capital Outlay	2,000	13,050	12,965	85
<i>Total Disbursements</i>	<u>759,597</u>	<u>794,628</u>	<u>751,095</u>	<u>43,533</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,114)</u>	<u>(51,895)</u>	<u>(4,060)</u>	<u>47,835</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	0	0	115	115
Transfers Out	(100,000)	(100,000)	(100,000)	0
Other Financing Uses	<u>(4,000)</u>	<u>(4,000)</u>	<u>0</u>	<u>4,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(104,000)</u>	<u>(104,000)</u>	<u>(99,885)</u>	<u>4,115</u>
<i>Net Change in Fund Balance</i>	(118,114)	(155,895)	(103,945)	51,950
<i>Fund Balance Beginning of Year</i>	394,720	394,720	394,720	0
Prior Year Encumbrances Appropriated	<u>11,815</u>	<u>11,815</u>	<u>11,815</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$288,421</u>	<u>\$250,640</u>	<u>\$302,590</u>	<u>\$51,950</u>

See accompanying notes to the basic financial statements.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

The Wilmington Public Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Clinton County Board of County Commissioners and the Common Pleas Court Judge. Appointments are for seven-year terms and members serve without compensation. The Library also determines and operates under its own budget. Control and management of the Library is governed by 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 provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

The Friends of the Wilmington Public Library is a not-for-profit organization with a self-appointing Board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. 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 Wilmington 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.

**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, except for fiduciary funds. The statement of net assets presents the financial condition 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 or draws from the Library's general receipts.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

Fund Financial Statements

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

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 divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are financed primarily from taxes, 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.

Building and Repair Fund - This fund is used for major repairs of Library owned buildings or for the construction and furnishing of new buildings or additions.

Land Acquisition and Improvement Fund - This fund accounts for monies set aside by the Board of Library Trustees specifically for future Library projects.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's has one agency fund, the Regional Library Fund, which accounts for funds held by the Library for the SWORL Group, an organization made up of local libraries that participated in interlibrary loan services.

C. Basis of Accounting

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

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

**D. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. 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. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

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

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

**E. Cash 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.

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 2005 and 2004, investments were limited to treasury bills, STAR Ohio and certificates of deposit. Treasury bills are recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$6,089 which includes \$86 assigned from other Library funds. Interest receipt credited to the general fund during 2004 amounted to \$2,178 which includes \$82 assigned from other Library funds.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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

**F. 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.

**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 cash basis of accounting.

**I. 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 7 and 8, 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. Net assets restricted for other purposes include resources restricted for capital projects, art books and library materials.

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

**K. 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.

**L. 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.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 3 – 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$23,631 for the General Fund in 2005 and \$22,500 for 2004.

**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2005 and 2004

**Note 4 - Deposits and Investments** (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At December 31, 2005, the Library had \$156 in undeposited cash on hand and \$126 in undeposited cash on hand at December 31, 2004 which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$213,912 of the Library's bank balance of \$513,912 and at December 31, 2004, \$233,564 of the Library's bank balance of \$439,064 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.

Investments

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

	Carrying Value	Maturity
United States Treasury Bills	\$ 98,044	April 6, 2006
STAR Ohio	350,429	Average
Total Investments	\$448,473	

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

	Carrying Value	Maturity
STAR Ohio	\$651,715	Average
Total Investments	\$651,715	

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2005 and 2004

**Note 4 - Deposits and Investments** (continued)

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.

**Note 5 - 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 several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
The Cincinnati Insurance Company	Commercial Property	\$ 2,972,000
	General Liability	1,000,000
	Commercial Crime	5,000
	Inland Marine	64,949
Republic-Franklin Insurance Company	Errors and Omissions	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 provides health insurance to full-time employees through a private carrier.

**Note 6- Grants-in-Aid**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

**Note 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.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 7 - 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 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 of covered payroll; 9.55 percent of covered payroll was the portion that was used to fund pensions. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$91,269, \$78,524, and \$73,112 respectively; the full amount has been contributed for 2005, 2004, and 2003.

**Note 8 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**Wilmington Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**Note 8 - Postemployment Benefits** (continued)

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

The number of active contributing participants in the traditional and combined plans was 376,109 for 2005 and 355,287 for 2004. Actual employer contributions which were used to fund postemployment benefits were \$16,557 for 2005 and \$14,245 for 2004. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 – Interfund Transfers**

In 2004, the general fund transferred \$100,000 to the building and repair capital projects fund for the purchase and maintenance of various items throughout the Library.

**Note 10 – Library Facilities**

In addition to the main library, the Wilmington Public Library has a contract with the Clinton Massie Local School District wherein the School District has agreed to provide space and facilities for the operation of a joint library for public and student use. The Library paid \$250,000 in 2004 as its contribution for the construction of the joint library. The Library pays \$5,000 annually for overall operating expenses. The Library employs its own staff, purchases its own materials, and maintains separate financial record keeping.

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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*

Wilmington Public Library  
Clinton County  
268 North South Street  
Wilmington, Ohio 45177

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 Wilmington Public Library, Clinton County, Ohio (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 October 5, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, In a separate letter to the Library's management dated October 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Library's management dated October 5, 2006, we reported another matter related to noncompliance we deemed immaterial.

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Wilmington Public Library  
Clinton County  
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Over Financial Reporting and on Compliance and  
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Page 2

We intend this report solely for the information and use of management and board of trustees. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 5, 2006



**Auditor of State  
Betty Montgomery**

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**WILMINGTON PUBLIC LIBRARY**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 23, 2006**