



Mary Taylor, CPA  
Auditor of State



**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

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FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Franklin Public Library  
Warren County  
44 East 4<sup>th</sup> Street  
Franklin, Ohio 45005

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 Franklin Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2006 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of Franklin Public Library, Warren County, Ohio, as of December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 29, 2007

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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This discussion and analysis of the Franklin Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, 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 2006 are as follows:

Net assets of governmental activities decreased \$52,178 or 2.6 percent.

The Franklin Public Library's general fund receipts are primarily from LLGSF, a portion of state income taxes. These receipts represent 89 percent of the total cash received for governmental activities during the year, and changed very little compared to 2005 as mandated by state law.

**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 Franklin Public 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.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, 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 nonfinancial factors as well such as the Library's property tax base, 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 local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Library activities are presented as Governmental activities.

Governmental activities: All of the Franklin Public Library's basic services are reported here. State income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**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 governmental.

Governmental Funds - All of the Franklin Public Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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, Building Fund and Hankinson Trust Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

**Net Assets**

|                           | Governmental Activities |             |
|---------------------------|-------------------------|-------------|
|                           | 2006                    | 2005        |
| <b>Assets</b>             |                         |             |
| Cash and Cash Equivalents | \$1,952,490             | \$2,004,668 |
| Total Assets              | \$1,952,490             | \$2,004,668 |
| <b>Net Assets</b>         |                         |             |
| Restricted for:           |                         |             |
| Capital Projects          | 1,100,040               | 1,292,595   |
| Other Purposes            | 463,088                 | 447,424     |
| Unrestricted              | 389,362                 | 264,648     |
| Total Net Assets          | \$1,952,490             | \$2,004,668 |

As mentioned previously, net assets of governmental activities decreased \$52,178 during 2006.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Table 2 reflects the changes in net assets in 2006.

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

|  | Governmental<br>Activities<br>2006 | Governmental<br>Activities<br>2005 |
|--|------------------------------------|------------------------------------|
| Receipts:  |                                    |                                    |
| Program Receipts:  |                                    |                                    |
| Charges for Services and Sales                                 | \$61,662                           | \$61,193                           |
| Operating Grants and Contributions                             | 7,054                              | 7,799                              |
| Total Program Receipts   | <u>68,716</u>                      | <u>68,992</u>                      |
| General Receipts:  |                                    |                                    |
| Unrestricted Gifts and Contributions                           | 1,573                              | 2,167                              |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 1,354,828                          | 1,354,986                          |
| Interest   | 95,897                             | 61,156                             |
| Miscellaneous  | 6,673                              | 1,082                              |
| Total General Receipts   | <u>1,458,971</u>                   | <u>1,419,391</u>                   |
| Total Receipts   | <u>1,527,687</u>                   | <u>1,488,383</u>                   |
| Disbursements:   |                                    |                                    |
| Library Services:  |                                    |                                    |
| Salaries   | 778,544                            | 734,211                            |
| Fringe Benefits  | 242,108                            | 254,480                            |
| Purchased and Contracted Services                              | 129,503                            | 142,924                            |
| Library Materials and Information                              | 273,844                            | 271,038                            |
| Supplies   | 41,286                             | 38,780                             |
| Capital Outlay   | 102,925                            | 16,071                             |
| Other  | 11,655                             | 18,890                             |
| Total Disbursements  | <u>1,579,865</u>                   | <u>1,476,394</u>                   |
| Increase (Decrease) in Net Assets                              | (52,178)                           | 11,989                             |
| Net Assets, January 1,   | <u>2,004,668</u>                   | <u>1,992,679</u>                   |
| Net Assets, December 31,                                       | <u>\$1,952,490</u>                 | <u>\$2,004,668</u>                 |

General receipts represent 96 percent of the Library's total receipts, and of this amount, over 89 percent is Library and Local Government Support Fund (LLGSF). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Franklin Public Library represent the overhead costs of running the Library and the support services provided for the other Library activities. These include salaries, library materials, supplies, contracted services, and maintenance expenses.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Library's Funds**

|                               | <u>Fund Cash Balance</u><br>12/31/05 | <u>Fund Cash Balance</u><br>12/31/06 | <u>Increase/Decrease</u> |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------|
| General Fund                  | \$ 264,648                           | \$ 389,362                           | \$ 124,714               |
| Building Fund                 | 1,144,559                            | 1,041,637                            | (102,922)*               |
| Technology Fund               | 148,036                              | 58,404                               | (89,632)*                |
| Coleman Trust Fund            | 36,257                               | 38,066                               | 1,809                    |
| Springboro/Garland Trust Fund | 30,657                               | 22,536                               | (8,121)*                 |
| Hankinson Trust Fund          | 346,688                              | 366,975                              | 20,287                   |
| Thomson Trust Fund            | <u>33,823</u>                        | <u>35,510</u>                        | <u>1,687</u>             |
| <br>Total All Funds           | <br>\$ 2,004,668                     | <br>\$ 1,952,490                     | <br>\$ (52,178)          |

\*Disbursements were made from the Building Fund to supplement the 2007 General Fund budget. Disbursements were made from the Technology Fund for purchase of new Polaris computer system. Also purchased color copier from Springboro/Garland Trust Fund.

**Current Issues**

The challenge for the Franklin Public Library is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely almost exclusively on state funding. Ohio law set library funding at a fixed percent (5.7%) of state income tax receipts. However, since 2001 biennium budget, libraries have been off formula, and funding has been set at some arbitrary amount by the state legislature. The future of library funding is now under consideration by the legislature, and the uncertainty of the outcome of this consideration is a major concern for the future of the library.

**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 Teresa Kohl, Clerk-Treasurer, Franklin Public Library, 44 East Fourth Street, Franklin, Ohio 45005.

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**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement Of Net Assets - Cash Basis*  
*December 31, 2006*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$1,952,490</u>                 |
| <i>Total Assets</i>                        | <u><u>1,952,490</u></u>            |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | 1,100,040                          |
| Other Purposes                             | 463,088                            |
| Unrestricted                               | <u>389,362</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$1,952,490</u></u>          |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

|                                      | Cash<br>Disbursements | Program Cash Receipts                |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|--------------------------------------|-----------------------|--------------------------------------|--|--|
|                                      |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>       |                       |                                      |  |  |
| Library Services:                    |                       |                                      |  |  |
| Salaries                             | \$778,544             | \$0                                  | \$0                                      | (\$778,544)  |
| Fringe Benefits                      | 242,108               | 0                                    | 0  | (242,108)  |
| Purchased and Contracted Services    | 129,503               | 0                                    | 0  | (129,503)  |
| Library Materials and Information    | 273,844               | 61,662                               | 7,054                                    | (205,128)  |
| Supplies                             | 41,286                | 0                                    |  | (41,286)   |
| Other                                | 11,655                | 0                                    | 0  | (11,655)   |
| Capital Outlay                       | 102,925               | 0                                    | 0  | (102,925)  |
| <i>Total Governmental Activities</i> | <u>\$1,579,865</u>    | <u>\$61,662</u>                      | <u>\$7,054</u>                           | (1,511,149)  |
|                                      |                       | <b>General Receipts</b>              |  |  |
|                                      |                       |                                      |  | 1,573  |
|                                      |                       |                                      |  | 1,354,828  |
|                                      |                       |                                      |  | 95,897   |
|                                      |                       |                                      |  | 6,673  |
|                                      |                       |                                      |  | <u>1,458,971</u>   |
|                                      |                       |                                      |  |  |
|                                      |                       |                                      |  | <u>(52,178)</u>  |
|                                      |                       |                                      |  |  |
|                                      |                       |                                      |  | <u>2,004,668</u>   |
|                                      |                       |                                      |  |  |
|                                      |                       |                                      |  | <u>\$1,952,490</u>   |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2006*

|                                      | General          | Building<br>Fund   | Hankinson<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|------------------|--------------------|-------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                        |                  |                    |                   |                                |                                |
| Cash                                 | \$389,362        | \$1,041,367        | \$366,975         | \$154,516                      | \$1,952,220                    |
| <i>Total Assets</i>                  | <u>389,362</u>   | <u>1,041,637</u>   | <u>366,975</u>    | <u>154,516</u>                 | <u>1,952,490</u>               |
| <b>Fund Balances</b>                 |                  |                    |                   |                                |                                |
| Reserved:                            |                  |                    |                   |                                |                                |
| Reserved for Encumbrances            | 21,491           | 0                  | 0                 | 0                              | 21,491                         |
| Unreserved:                          |                  |                    |                   |                                |                                |
| Undesignated (Deficit), Reported in: |                  |                    |                   |                                |                                |
| General Fund                         | 367,871          | 0                  | 0                 | 0                              | 367,871                        |
| Special Revenue Funds                | 0                | 0                  | 366,975           | 96,113                         | 463,088                        |
| Capital Projects Funds               | 0                | 1,041,637          | 0                 | 58,403                         | 1,100,040                      |
| <i>Total Fund Balances</i>           | <u>\$389,362</u> | <u>\$1,041,637</u> | <u>\$366,975</u>  | <u>\$154,516</u>               | <u>\$1,952,490</u>             |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

|  | General                 | Building<br>Fund          | Hankinson<br>Fund       | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------|---------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                         |                           |                         |                                |                                |
| Intergovernmental                                    | \$1,354,828             | \$0                       | \$0                     | \$0                            | \$1,354,828                    |
| Patron Fines and Fees                                | 61,662                  | 0                         | 0                       | 0                              | 61,662                         |
| Contributions, Gifts and Donations                   | 2,598                   | 0                         | 0                       | 6,029                          | 8,627                          |
| Earnings on Investments                              | 13,054                  | 56,189                    | 17,360                  | 9,294                          | 95,897                         |
| Miscellaneous  | 2,521                   | 0                         | 4,152                   | 0                              | 6,673                          |
| <i>Total Receipts</i>                                | <u>1,434,663</u>        | <u>56,189</u>             | <u>21,512</u>           | <u>15,323</u>                  | <u>1,527,687</u>               |
| <b>Disbursements</b>                                 |                         |                           |                         |                                |                                |
| Current:   |                         |                           |                         |                                |                                |
| Library Services:                                    |                         |                           |                         |                                |                                |
| Salaries   | 778,544                 | 0                         | 0                       | 0                              | 778,544                        |
| Employees Fringe Benefits                            | 242,108                 | 0                         | 0                       | 0                              | 242,108                        |
| Purchased and Contractual Services                   | 120,392                 | 9,111                     | 0                       | 0                              | 129,503                        |
| Library Materials and Information                    | 266,175                 | 0                         | 0                       | 7,670                          | 273,845                        |
| Supplies   | 41,286                  | 0                         | 0                       | 0                              | 41,286                         |
| Other  | 10,429                  | 0                         | 1,225                   | 0                              | 11,654                         |
| Capital Outlay                                       | 1,015                   | 0                         | 0                       | 101,910                        | 102,925                        |
| <i>Total Disbursements</i>                           | <u>1,459,949</u>        | <u>9,111</u>              | <u>1,225</u>            | <u>109,580</u>                 | <u>1,579,865</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(25,286)</u>         | <u>47,078</u>             | <u>20,287</u>           | <u>(94,257)</u>                | <u>(52,178)</u>                |
| <b>Other Financing Sources (Uses)</b>                |                         |                           |                         |                                |                                |
| Transfers In   | 150,000                 |                           | 0                       | 0                              | 150,000                        |
| Transfers Out  |                         | (150,000)                 | 0                       | 0                              | (150,000)                      |
| <i>Total Other Financing Sources (Uses)</i>          | <u>150,000</u>          | <u>(150,000)</u>          | <u>0</u>                | <u>0</u>                       | <u>0</u>                       |
| <i>Net Change in Fund Balances</i>                   | 124,714                 | (102,922)                 | 20,287                  | (94,257)                       | (52,178)                       |
| <i>Fund Balances Beginning of Year</i>               | <u>264,648</u>          | <u>1,144,559</u>          | <u>346,688</u>          | <u>248,773</u>                 | <u>2,004,668</u>               |
| <i>Fund Balances End of Year</i>                     | <u><u>\$389,362</u></u> | <u><u>\$1,041,637</u></u> | <u><u>\$366,975</u></u> | <u><u>\$154,516</u></u>        | <u><u>\$1,952,490</u></u>      |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

|  | <u>Budgeted Amounts</u> |                  |                  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>    |   |
| <b>Receipts</b>                                      |                         |                  |                  |   |
| Intergovernmental                                    | \$1,354,828             | \$1,354,828      | \$1,354,828      | 0   |
| Patron Fines and Fees                                | 39,188                  | 39,188           | 61,662           | 22,474  |
| Contributions, Gifts and Donations                   | 2,434                   | 2,434            | 2,598            | 164   |
| Earnings on Investments                              | 3,500                   | 3,500            | 13,054           | 9,554   |
| Miscellaneous  | 309                     | 309              | 2,521            | 2,212   |
| <i>Total receipts</i>                                | <u>1,400,259</u>        | <u>1,400,259</u> | <u>1,434,663</u> | <u>34,404</u>   |
| <b>Disbursements</b>                                 |                         |                  |                  |   |
| Current:   |                         |                  |                  |   |
| Library Services:                                    |                         |                  |                  |   |
| Salaries   | 791,221                 | 791,221          | 778,544          | 12,677  |
| Employees Fringe Benefits                            | 264,953                 | 264,953          | 242,108          | 22,845  |
| Purchased and Contracted Services                    | 194,000                 | 194,000          | 120,392          | 73,608  |
| Library Materials and Information                    | 310,097                 | 310,097          | 287,666          | 22,431  |
| Supplies   | 47,549                  | 47,549           | 41,286           | 6,263   |
| Other  | 11,000                  | 11,000           | 10,430           | 570   |
| Capital Outlay                                       | 26,000                  | 26,000           | 1,015            | 24,985  |
| <i>Total Disbursements</i>                           | <u>1,644,820</u>        | <u>1,644,820</u> | <u>1,481,441</u> | <u>163,379</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(244,561)</u>        | <u>(244,561)</u> | <u>(46,778)</u>  | <u>197,783</u>  |
| <b>Other Financing Sources</b>                       |                         |                  |                  |   |
| Transfers In   | 150,000                 | 150,000          | 150,000          | 0   |
| <i>Total Other Financing Sources</i>                 | <u>150,000</u>          | <u>150,000</u>   | <u>150,000</u>   | <u>0</u>  |
| <i>Net Change in Fund Balance</i>                    | (94,561)                | (94,561)         | 103,222          | 197,783   |
| <i>Fund Balance Beginning of Year</i>                | <u>261,546</u>          | <u>261,546</u>   | <u>261,546</u>   | <u>0</u>  |
| Prior Year Encumbrances Appropriated                 | 3,103                   | 3,103            | 3,103            | 0   |
| <i>Fund Balance End of Year</i>                      | <u>\$170,088</u>        | <u>\$170,088</u> | <u>\$367,871</u> | <u>\$197,783</u>  |

See accompanying notes to the basic financial statements

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**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

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

The Franklin Public Library was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Franklin Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer/Clerk.

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

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

As discussed further in Note 2.C, the financial statements of the Franklin 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in Note 2 - Summary of Significant Accounting Policies which case GASB prevails. 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.

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. Direct disbursements are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**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.

**B. Fund Accounting**

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

**Governmental Funds**

Governmental funds are financed primarily from 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 Fund - Used to record the related receipts and expenditures of the Library's Building Fund.

Hankinson Fund - Used to record the related receipts and expenditures per the Mary L. Hankinson Trust Agreement.

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

**C. Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting except for modifications described in Note 2E. 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.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**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. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

During 2006, investments were limited to STAR Ohio.

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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General fund during 2006 amounted to \$13,504, to the Building fund of \$56,189, to the Hankinson fund of \$17,360 and other governmental funds of \$9,294.

**F. Restricted Assets**

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

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

**G. Inventory and Prepaid Items**

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

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 Note 7, the employer contributions include portions for pension benefits.

**J. 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.

**K. Capital Assets**

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

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for encumbrances, capital assets, technology and for trust agreements.

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

**M. Interfund Transactions**

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.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**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 \$21,491 for the general fund.

**Note 4 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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;

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**Note 4 - 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution.

At year end, the carrying amount of the Library's cash deposits was \$59,462 and the bank balance was \$74,710. Of the bank balance \$74,710 was covered by federal depository insurance.

Investments

The following deposit/investment objectives will be applied in the management of funds of the Franklin Public Library. The deposit/investment program shall preserve capital and protect investment principle within defined parameters. The deposit/investment program shall maintain sufficient liquidity to meet reasonably anticipated fiscal operating requirements on an on-going basis throughout the fiscal cycle. The deposit/investment program shall strive to attain the best total return or yield on deposited and invested funds of the Library as is reasonable and prudently achievable within defined parameters. All attempts shall be made to minimize risks inherent in investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies.

As of December 31, 2006, the Library had the following investment:

|           |   |
|-----------|---|
| STAR Ohio | <u>Carrying Value</u><br><u>\$1,893,028</u> |
|-----------|---|

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by limiting maturity dates, or average maturity dates, to no more than five (5) years from date of purchase, unless the investment is matched to a specified obligation or debt of the Library, thereby avoiding the need to sell securities on the open market prior to maturity.

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

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

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

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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**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 2006, the Library contracted with several companies for various types of insurance coverage as follows:

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

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.

**Note 6 - 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 year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006  
(Continued)**

**Note 6 - Defined Benefit Pension Plan (continued)**

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$106,660, \$99,486, and \$95,961 respectively; the full amount has been contributed for these years.

**Note 7 - 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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4 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, 2005, include a rate of return on investments of 6.5 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability

and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP), effective date January 1, 2007. As an additional component of the HCPP, member and contribution rates increased as of January 1, 2006, to allow additional funds to be allocated to the health care plan.

**Note 8 – Library and Local Government Support**

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Franklin Public Library  
Warren County  
44 East 4<sup>th</sup> Street  
Franklin, Ohio 45040

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Franklin Public Library, Warren County, Ohio (the Library), as of and for the year ended December 31, 2005 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 2, the accompanying financial statements and notes follow the cash basis of accounting. 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 and each major fund of Franklin Public Library, Warren County, Ohio, as of December 31, 2005 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005 the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 29, 2007

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the Franklin Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, 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 are as follows:

Net assets of governmental activities increased \$11,989 or .06 percent.

The Franklin Public Library's general fund receipts are primarily from LLGSF, a portion of state income taxes. These receipts represent 91 percent of the total cash received for governmental activities during the year, and changed very little compared to 2004 as mandated by state law.

**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 Franklin Public 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.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, 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 nonfinancial factors as well such as the Library's property tax base, 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 local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities the Library's activities are presented as Governmental activities.

Governmental activities: All of the Franklin Public Library's basic services are reported here. State income taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**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 governmental.

Governmental Funds - All of the Franklin Public Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of net assets has not been presented.

(Table 1)  
**Net Assets**

| Governmental Activities   |                    |
|---------------------------|--------------------|
|                           | <u>2005</u>        |
| <b>Assets</b>             |                    |
| Cash and Cash Equivalents | \$2,004,668        |
| Total Assets              | <u>2,004,668</u>   |
| <br><b>Net Assets</b>     |                    |
| Restricted for:           |                    |
| Capital Projects          | 1,292,596          |
| Other Purposes            | 447,424            |
| Unrestricted              | <u>264,648</u>     |
| Total Net Assets          | <u>\$2,004,668</u> |

As mentioned previously, net assets of governmental activities increased \$11,989 during 2005.

Table 2 reflects the changes in net assets in 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Changes in Net Assets**

|  | Governmental<br>Activities<br>2005 |
|--|------------------------------------|
|  | 2005                               |
| Receipts:  |                                    |
| Program Receipts:  |                                    |
| Charges for Services and Sales                                 | \$61,193                           |
| Operating Grants and Contributions                             | 7,799                              |
| Total Program Receipts   | 68,992                             |
| General Receipts:  |                                    |
| Unrestricted Gifts and Contributions                           | 2,167                              |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 1,354,986                          |
| Interest   | 61,156                             |
| Miscellaneous  | 1,082                              |
| Total General Receipts   | 1,419,391                          |
| Total Receipts   | 1,488,383                          |
| <br>   |                                    |
| Disbursements:   |                                    |
| Library Services:  |                                    |
| Salaries   | 734,211                            |
| Fringe Benefits  | 254,480                            |
| Purchased and Contracted Services                              | 142,924                            |
| Library Materials and Information                              | 271,038                            |
| Supplies   | 38,780                             |
| Capital Outlay   | 16,071                             |
| Other  | 18,890                             |
| Total Disbursements  | 1,476,394                          |
| <br>   |                                    |
| Increase in Net Assets   | 11,989                             |
| <br>   |                                    |
| Net Assets, January 1  | 1,992,679                          |
| Net Assets, December 31  | \$2,004,668                        |

General receipts represent 96 percent of the Library's total receipts, and of this amount, over 91 percent Library and Local Government Support Fund (LLGSF). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Franklin Public Library represent the overhead costs of running the Library and the support services provided for the other Library activities. These include salaries, library materials, supplies, contracted services, and maintenance expenses.

Franklin Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**The Library's Funds**

|                               | <u>Fund Cash Balance</u><br>12/31/04 | <u>Fund Cash Balance</u><br>12/31/05 | <u>Increase/Decrease</u> |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------|
| General Fund                  | \$ 242,103                           | \$ 264,648                           | \$ 22,545                |
| Building Fund                 | 1,151,393                            | 1,144,559                            | (6,834)*                 |
| Technology Fund               | 158,200                              | 148,036                              | (10,164)*                |
| Coleman Trust Fund            | 35,163                               | 36,257                               | 1,094                    |
| Springboro/Garland Trust Fund | 28,339                               | 30,657                               | 2,318                    |
| Hankinson Trust Fund          | 344,666                              | 346,688                              | 2,022                    |
| Thomson Trust Fund            | <u>32,815</u>                        | <u>33,823</u>                        | <u>1,008</u>             |
| <br>Total All Funds           | <br>\$ 1,992,679                     | <br>\$ 2,004,668                     | <br>\$ 11,989            |

\*With threats from governor of 20% budget cuts, disbursements were made from the Building Fund for building & site repairs, equipment repairs/maintenance agreements, shelving project for Springboro, etc. Disbursements also made from the Technology Fund for annual Dynix maintenance agreement, new computers and related expenses.

**Current Issues**

The challenge for the Franklin Public Library is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely almost exclusively on state funding. Ohio law set library funding at a fixed percent (5.7%) of state income tax receipts. However, since 2001 biennium budget, libraries have been off formula, and funding has been set at some arbitrary amount by the state legislature. The future of library funding is now under consideration by the legislature, and the uncertainty of the outcome of this consideration is a major concern for the future of the library.

**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 Teresa Kohl, Clerk-Treasurer, Franklin Public Library, 44 East Fourth Street, Franklin, Ohio 45005.

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**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement Of Net Assets - Cash Basis*  
*December 31, 2005*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | <u>\$2,004,668</u>                 |
| <i>Total Assets</i>                        | <u><u>2,004,668</u></u>            |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | 1,292,596                          |
| Other Purposes                             | 447,424                            |
| Unrestricted                               | <u>264,648</u>                     |
| <i>Total Net Assets</i>                    | <u><u>\$2,004,668</u></u>          |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

|                                      | Cash<br>Disbursements | Program Cash Receipts                |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Assets |
|--------------------------------------|-----------------------|--------------------------------------|--|--|
|                                      |                       | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                   |
| <b>Governmental Activities</b>       |                       |                                      |  |  |
| Library Services:                    |                       |                                      |  |  |
| Salaries                             | 734,211               | 0                                    | 0  | (\$734,211)  |
| Fringe Benefits                      | 254,480               | 0                                    | 0  | (254,480)  |
| Purchased and Contracted Services    | 142,924               | 0                                    | 0  | (142,924)  |
| Library Materials and Information    | 271,038               | 61,193                               | 7,799                                    | (202,046)  |
| Supplies                             | 38,780                | 0                                    | 0  | (38,780)   |
| Other                                | 18,890                | 0                                    | 0  | (18,890)   |
| Capital Outlay                       | 16,071                | 0                                    | 0  | (16,071)   |
| <i>Total Governmental Activities</i> | <u>\$1,476,394</u>    | <u>\$61,193</u>                      | <u>\$7,799</u>                           | (1,407,402)  |
|                                      |                       | <b>General Receipts</b>              |  |  |
|                                      |                       |                                      |  | 2,167  |
|                                      |                       |                                      |  | 1,354,986  |
|                                      |                       |                                      |  | 61,156   |
|                                      |                       |                                      |  | 1,082  |
|                                      |                       |                                      | <i>Total General Receipts</i>            | 1,419,391  |
|                                      |                       |                                      | Change in Net Assets                     | 11,989   |
|                                      |                       |                                      | <i>Net Assets Beginning of Year</i>      | 1,992,679  |
|                                      |                       |                                      | <i>Net Assets End of Year</i>            | <u>\$2,004,668</u>   |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY**  
**WARREN COUNTY**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

|  | General          | Building<br>Fund   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                  |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$264,648        | \$1,144,559        | \$595,461                      | \$2,004,668                    |
| <i>Total Assets</i>                        | <u>264,648</u>   | <u>1,144,559</u>   | <u>595,461</u>                 | <u>2,004,668</u>               |
| <b>Fund Balances</b>                       |                  |                    |                                |                                |
| Reserved:                                  |                  |                    |                                |                                |
| Reserved for Encumbrances                  | 3,103            |                    |                                | 3,103                          |
| Unreserved:                                |                  |                    |                                |                                |
| Undesignated (Deficit), Reported in:       |                  |                    |                                |                                |
| General Fund                               | 261,545          | 0                  | 0                              | 261,545                        |
| Special Revenue Funds                      | 0                | 0                  | 447,424                        | 447,424                        |
| Capital Projects Funds                     | 0                | 1,144,559          | 148,037                        | 1,292,596                      |
| <i>Total Fund Balances</i>                 | <u>\$264,648</u> | <u>\$1,144,559</u> | <u>\$595,461</u>               | <u>\$2,004,668</u>             |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

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

|  | General                 | Building<br>Fund          | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------|---------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                         |                           |                                |                                |
| Intergovernmental                                    | \$1,354,986             | \$0                       | \$0                            | \$1,354,986                    |
| Patron Fines and Fees                                | 61,193                  | 0                         | 0                              | 61,193                         |
| Contributions, Gifts and Donations                   | 3,677                   | 0                         | 6,289                          | 9,966                          |
| Earnings on Investments                              | 8,207                   | 35,059                    | 17,890                         | 61,156                         |
| Miscellaneous  | 1,082                   | 0                         | 0                              | 1,082                          |
| <i>Total Receipts</i>                                | <u>1,429,145</u>        | <u>35,059</u>             | <u>24,179</u>                  | <u>1,488,383</u>               |
| <b>Disbursements</b>                                 |                         |                           |                                |                                |
| Current:   |                         |                           |                                |                                |
| Library Services:                                    |                         |                           |                                |                                |
| Salaries   | 734,211                 | 0                         | 0                              | 734,211                        |
| Employees Fringe Benefits                            | 254,480                 | 0                         | 0                              | 254,480                        |
| Purchased and Contractual Services                   | 97,057                  | 30,893                    | 14,974                         | 142,924                        |
| Library Materials and Information                    | 266,686                 | 0                         | 4,352                          | 271,038                        |
| Supplies   | 38,780                  | 0                         | 0                              | 38,780                         |
| Other  | 10,315                  | 0                         | 8,575                          | 18,890                         |
| Capital Outlay                                       | 5,071                   | 11,000                    | 0                              | 16,071                         |
| <i>Total Disbursements</i>                           | <u>1,406,600</u>        | <u>41,893</u>             | <u>27,901</u>                  | <u>1,476,394</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>22,545</u>           | <u>(6,834)</u>            | <u>(3,722)</u>                 | <u>11,989</u>                  |
| <i>Net Change in Fund Balances</i>                   | 22,545                  | (6,834)                   | (3,722)                        | 11,989                         |
| <i>Fund Balances Beginning of Year</i>               | <u>242,103</u>          | <u>1,151,393</u>          | <u>599,183</u>                 | <u>1,992,679</u>               |
| <i>Fund Balances End of Year</i>                     | <u><u>\$264,648</u></u> | <u><u>\$1,144,559</u></u> | <u><u>\$595,461</u></u>        | <u><u>\$2,004,668</u></u>      |

See accompanying notes to the basic financial statements

**FRANKLIN PUBLIC LIBRARY**  
**WARREN 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 |                  | Actual           | Variance with          |
|--|------------------|------------------|------------------|------------------------|
|  | Original         | Final            |                  | Final Budget           |
|  |                  |                  |                  | Positive<br>(Negative) |
| <b>Receipts</b>                                      |                  |                  |                  |                        |
| Intergovernmental                                    | \$1,411,858      | \$1,411,858      | \$1,354,986      | (56,872)               |
| Patron Fines and Fees                                | 38,047           | 38,047           | 61,193           | 23,146                 |
| Contributions, Gifts and Donations                   | 2,364            | 2,364            | 3,677            | 1,313                  |
| Earnings on Investments                              | 1,648            | 1,648            | 8,207            | 6,559                  |
| Miscellaneous  | 300              | 300              | 1,082            | 782                    |
| <i>Total receipts</i>                                | <u>1,454,217</u> | <u>1,454,217</u> | <u>1,429,145</u> | <u>(25,072)</u>        |
| <b>Disbursements</b>                                 |                  |                  |                  |                        |
| Current:   |                  |                  |                  |                        |
| Library Services:                                    |                  |                  |                  |                        |
| Salaries   | 760,784          | 760,784          | 734,211          | 26,573                 |
| Employees Fringe Benefits                            | 266,618          | 266,618          | 254,480          | 12,138                 |
| Purchased and Contracted Services                    | 151,566          | 151,566          | 100,160          | 51,406                 |
| Library Materials and Information                    | 300,000          | 300,000          | 266,686          | 33,314                 |
| Supplies   | 54,000           | 54,000           | 38,780           | 15,220                 |
| Other  | 20,000           | 20,000           | 10,315           | 9,685                  |
| Capital Outlay                                       | 5,972            | 5,972            | 5,072            | 900                    |
| <i>Total Disbursements</i>                           | <u>1,558,940</u> | <u>1,558,940</u> | <u>1,409,704</u> | <u>149,236</u>         |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(104,723)</u> | <u>(104,723)</u> | <u>19,441</u>    | <u>124,164</u>         |
| <i>Net Change in Fund Balance</i>                    | <u>(104,723)</u> | <u>(104,723)</u> | <u>19,441</u>    | <u>124,164</u>         |
| <i>Fund Balance Beginning of Year</i>                | 222,371          | 222,371          | 222,371          | 0                      |
| Prior Year Encumbrances Appropriated                 | <u>19,733</u>    | <u>19,733</u>    | <u>19,733</u>    | <u>0</u>               |
| <i>Fund Balance End of Year</i>                      | <u>\$137,381</u> | <u>\$137,381</u> | <u>\$261,545</u> | <u>\$124,164</u>       |

See accompanying notes to the basic financial statements

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**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

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

The Franklin Public Library was organized as a school district public library in 1923 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Franklin Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer/Clerk.

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

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

As discussed further in Note 2.C, the financial statements of the Franklin 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in Note 2 - Summary of Significant Accounting Policies which case GASB prevails. 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.

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. Direct disbursements are those that are specifically associated with a service, program, or department, and therefore, clearly identifiable to a particular function. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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.

The Library's funds are all classified as governmental.

**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 uses .

**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 Fund - Used to record the related receipts and expenditures of the Library's Building Fund.

**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. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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.

During 2005, investments were limited to STAR Ohio.

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 \$8,207, to the Building fund of \$35,059, and other governmental funds of \$35,059.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

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

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**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 Note 7, the employer contributions include portions for pension benefits.

**J. 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.

**K. Capital Assets**

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

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for encumbrances, capital assets, technology and for trust agreements.

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

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

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting as described in Note 2. The Fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The 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 \$3,103 for the general fund.

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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;

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution.

At year end, the carrying amount of the Library's cash deposits was \$51,857 and the bank balance was \$150,439. Of the bank balance \$100,000 was covered by federal depository insurance and the balance was collateralized by the financial institution's public entity deposit pool.

Investments

The following deposit/investment objectives will be applied in the management of funds of the Franklin Public Library. The deposit/investment program shall preserve capital and protect investment principle within defined parameters. The deposit/investment program shall maintain sufficient liquidity to meet reasonably anticipated fiscal operating requirements on an on-going basis throughout the fiscal cycle. The deposit/investment program shall strive to attain the best total return or yield on deposited and invested funds of the Library as is reasonable and prudently achievable within defined parameters. All attempts shall be made to minimize risks inherent in investment through diversification so as to eliminate the risk of loss resulting from an over-concentration of funds in a specific maturity, issuer, industry, geographical area, or class of securities. All attempts shall be made to minimize the costs of financial transactions related to implementing investment strategies.

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

|           |   |
|-----------|---|
| STAR Ohio | <u>Carrying Value</u><br><u>\$1,952,811</u> |
|-----------|---|

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by limiting maturity dates, or average maturity dates, to no more than five (5) years from date of purchase, unless the investment is matched to a specified obligation or debt of the Library, thereby avoiding the need to sell securities on the open market prior to maturity.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 5 - 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 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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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

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

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.

**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.

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.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 7 - Defined Benefit Pension Plan (continued)**

For the year ended December 31, 2005, 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 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$99,486, \$95,961, and \$120,505 respectively; the full amount has been contributed for these years.

**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 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.

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 Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. 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.

In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets.

**FRANKLIN PUBLIC LIBRARY  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**Note 9 – Library and Local Government Support**

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

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Franklin Public Library  
Warren County  
44 East 4<sup>th</sup> Street  
Franklin, Ohio 45005

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 Franklin Public Library, Warren County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 29, 2007, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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*.

We intend this report solely for the information and use of management and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 29, 2007



**Mary Taylor, CPA**  
Auditor of State

**FRANKLIN PUBLIC LIBRARY**

**WARREN 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 18, 2007**