

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Ashtabula County District Library
335 West 44th Street
Ashtabula, Ohio 44004

We have reviewed the *Independent Accountants' Report* of the Ashtabula County District Library, prepared by S. R. Snodgrass, A. C., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ashtabula County District Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 29, 2008

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**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

Table of Contents

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3 - 8
Basic Financial Statements	
Government-wide Financial Statements – December 31, 2006:	
Statement of Net Assets – Modified Cash Basis – December 31, 2006.....	9
Statement of Activities – Modified Cash Basis – December 31, 2006.....	10
Fund Financial Statements – December 31, 2006:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2006.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2006.....	12
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2006.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – December 31, 2006.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2006.....	15
Government-wide Financial Statements – December 31, 2005:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005.....	16
Statement of Activities – Modified Cash Basis – December 31, 2005.....	17

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

Table of Contents

TITLE	PAGE
Fund Financial Statements – December 31, 2005:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2005.....	19
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2005.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – December 31, 2005.....	21
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2005.....	22
Notes to the Basic Financial Statements.....	23 - 34
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35

INDEPENDENT ACCOUNTANTS' REPORT

Ashtabula County District Library
Ashtabula County
335 West 44th Street
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County District Library, Ashtabula County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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 obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula County District Library, Ashtabula County, Ohio, as of December 31, 2006 and December 31, 2005 and the respective changes in modified cash basis financial position and the budgetary comparisons for the General Fund for the years 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 September 20, 2007, on our consideration of the Library's internal control over financial reporting and on 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 Government 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.

S. R. Smealgrass, A.C.

September 20, 2007

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

This discussion and analysis of the Ashtabula County District Library's ("the Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006 and December 31, 2005, within the limitations of the Library's modified cash basis of 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 increased \$230,906 or 9 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Government's general receipts are primarily income taxes and Intergovernmental Revenue. These receipts represent 81 percent of the total cash received for governmental activities during the year. Property tax receipts and the Library and Local Government Support Fund (LLGSF) tax receipts for 2006 changed very little (increased \$6,311) compared to 2005 due to a freeze of the LLGSF by the Ohio Government.

The Library transferred funds in the amount of \$60,192 from the Capital Fund to the General Fund during 2006 for the purchase of a vehicle.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$199,477 or 8 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.

The Government's general receipts are primarily income taxes and Intergovernmental Revenue. These receipts represent 88 percent of the total cash received for governmental activities during the year. Property tax receipts and the Library and Local Government Support Fund (LLGSF) tax receipts for 2005 decreased by \$32,952 over the receipts for 2004.

The Library transferred funds in the amount of \$33,792 from the General Fund to the Capital Fund during 2005 to increase the funds set aside for a new facility.

Using the Basic Financial Statements

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

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of the modified cash basis of 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 activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, 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 taxes and the LLGSF.

In the statement of net assets and the statement of activities the Library reports Governmental activities. All the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine 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 only major governmental fund is the General 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.

Proprietary Funds – None

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

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2006, 2005, and 2004 on a modified cash basis:

	(Table 1) Net Assets		
	<u>2006</u>	Governmental Activities	
		<u>2005</u>	<u>2004</u>
Assets:			
Cash & Cash Equivalents	\$ 138,777	\$ 113,309	\$ 177,783
Investments	<u>2,641,792</u>	<u>2,436,354</u>	<u>2,157,477</u>
Total Assets	<u>2,780,569</u>	<u>2,549,663</u>	<u>2,335,260</u>
Net Assets:			
Restricted For:			
Capital Projects	2,282,130	2,255,704	2,157,477
Permanent Fund Purpose	15,723	15,382	14,926
Unrestricted	<u>482,716</u>	<u>278,577</u>	<u>177,783</u>
Total Net Assets	<u>\$2,780,569</u>	<u>\$2,549,663</u>	<u>\$2,350,186</u>

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

Table 2 reflects the changes in the Library's net assets in 2006, 2005, and 2004 on a modified cash basis.

(Table2)
Change in Net Assets

	Governmental Activities		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts			
Property & Other Local Taxes	\$1,593,302	\$1,586,991	\$1,619,943
Patron Fines & Fees	40,614	39,841	37,555
Contributions, Gifts, & Donations	9,888	6,070	6,675
Earnings On Investments	90,789	100,278	39,452
Miscellaneous	<u>91,529</u>	<u>72,620</u>	<u>72,616</u>
Total Receipts	<u>1,826,122</u>	<u>1,805,800</u>	<u>1,776,241</u>
Disbursements			
Current:			
General Library Services	1,557,857	1,588,323	1,628,010
Capital Outlay	163,287	18,000	37,763
Debt Service:			
Principal Retirement	2,447	-	-
Interest & Fiscal Charges	<u>1,625</u>	<u>-</u>	<u>-</u>
Total Disbursements	<u>1,725,216</u>	<u>1,606,323</u>	<u>1,665,773</u>
Excess Of Receipts Over (Under) Disbursements	100,906	199,477	110,468
Total Other Funding Sources (Uses)	<u>130,000</u>	<u>-</u>	<u>(850)</u>
Net Increase In Net Assets	230,906	199,477	109,618
Net Assets, January 1	<u>2,549,663</u>	<u>2,350,186</u>	<u>2,240,568</u>
Net Assets, December 31	<u>\$2,780,569</u>	<u>\$2,549,663</u>	<u>\$2,350,186</u>

Property and Other Local Taxes in 2006, 2005, and 2004 were 87.25%, 87.88%, and 91.20%, respectively, of the Library's total receipts.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services, and business administration represent the costs of running the Library.

The dependence upon income tax receipts is apparent as over 95 percent of governmental activities are supported through these general receipts.

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

The Library's Funds

For 2006, total governmental funds had receipts of \$1,826,122 and disbursements of \$1,725,216. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$204,139.

For 2005, total governmental funds had receipts of \$1,805,800 and disbursements of \$1,606,323. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$100,794.

General Fund Budgeting Highlights

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

During 2006, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected growth in receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,882,183 while actual disbursements were \$1,732,927.

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts did not change for the year. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,759,968 while actual disbursements were \$1,666,674. Spending was severely curtailed due to instability of the income tax which is 95% of Library's income

Capital Assets and Debt Administration

Capital Assets

The Library records disbursements for property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Debt Administration

The Library issued a note payable to a local financial institution on August 24, 2006 in the amount of \$130,000. The unpaid principal balance at December 31, 2006 was \$127,553.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We are planning construction within the next 2 years and investing has been heavy in order to increase the building fund.

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2006 and December 31, 2005
Unaudited

Contacting the Government'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 Jeanne Oxley, Clerk-Treasurer, Ashtabula County District Library, 335 W. 44th St., Ashtabula, Ohio 44004

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY

Statement of Net Assets - Modified Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 138,777
Investments	<u>2,641,792</u>
Total assets	<u>\$ 2,780,569</u>
Net Assets	
Restricted for:	
Capital projects	\$ 2,282,130
Permanent fund purpose	15,723
Unrestricted	<u>482,716</u>
Total Net Assets	<u>\$ 2,780,569</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY

Statement of Activities - Modified Cash Basis

For the Year ended December 31, 2006

	Cash Disbursements	Program Cash Receipts <hr/> Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets <hr/> Governmental Activities
Governmental Activities			
General library services	\$ 1,557,857	\$ 40,614	\$ (1,517,243)
Capital outlay	163,287	-	(163,287)
Debt service			
Principal Retirement	2,447	-	(2,447)
Interest and finance charges	1,625	-	(1,625)
	<hr/>	<hr/>	<hr/>
<i>Total Governmental Activities</i>	<u>\$ 1,725,216</u>	<u>\$ 40,614</u>	<u>(1,684,602)</u>

General Receipts

Property taxes levied for general purposes	1,593,302
Unrestricted gifts and contributions	9,888
Debt proceeds	130,000
Interest	90,789
Miscellaneous	91,529
<i>Total general receipts</i>	<hr/> 1,915,508 <hr/>

Change in net assets 230,906

Net assets beginning year

2,549,663

Net assets end of year

\$ 2,780,569

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 127,952	\$ 10,825	\$ -	\$ 138,777
Investments	354,763	2,271,305	15,724	2,641,792
<i>Total assets</i>	<u>\$ 482,715</u>	<u>\$ 2,282,130</u>	<u>\$ 15,724</u>	<u>\$ 2,780,569</u>
Fund Balances				
Reserved:				
Reserved for encumbrances	\$ 7,670	\$ -	\$ -	\$ 7,670
Unreserved:				
Undesignated (deficit), reported in:				
General fund	475,045	-	-	475,045
Other funds	-	-	15,724	15,724
Capital projects funds	-	2,282,130	-	2,282,130
<i>Total fund balances</i>	<u>\$ 482,715</u>	<u>\$ 2,282,130</u>	<u>\$ 15,724</u>	<u>\$ 2,780,569</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
For the Year Ended December 31, 2006*

Total governmental fund balances	<u>\$ 2,780,569</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 2,780,569</u></u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other local taxes	\$ 1,593,302	\$ -	\$ -	\$ 1,593,302
Patron fines and fees	40,614	-	-	40,614
Contributions, gifts and donations	9,888	-	-	9,888
Earnings on investments	3,810	86,638	341	90,789
Miscellaneous	91,549	(20)	-	91,529
<i>Total receipts</i>	<u>1,739,163</u>	<u>86,618</u>	<u>341</u>	<u>1,826,122</u>
Disbursements				
Current:				
General library services	1,557,857	-	-	1,557,857
Capital outlay	163,287	-	-	163,287
Debt service:				
Principal retirement	2,447	-	-	2,447
Interest and fiscal charges	1,625	-	-	1,625
<i>Total disbursements</i>	<u>1,725,216</u>	<u>-</u>	<u>-</u>	<u>1,725,216</u>
<i>Excess to receipts over (under) disbursements</i>	<u>13,947</u>	<u>86,618</u>	<u>341</u>	<u>100,906</u>
Other Financing Sources (Uses)				
Debt proceeds	130,000	-	-	130,000
Transfers in	60,192	-	-	60,192
Transfers out	-	(60,192)	-	(60,192)
<i>Total other financing sources (uses)</i>	<u>190,192</u>	<u>(60,192)</u>	<u>-</u>	<u>130,000</u>
<i>Net change in fund balances</i>	204,139	26,426	341	230,906
<i>Fund balances beginning of year</i>	<u>278,577</u>	<u>2,255,704</u>	<u>15,382</u>	<u>2,549,663</u>
<i>Fund balances end of year</i>	<u>\$ 482,716</u>	<u>\$ 2,282,130</u>	<u>\$ 15,723</u>	<u>\$ 2,780,569</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 230,906</u>
<i>Change in net assets of Governmental activities</i>	<u><u>\$ 230,906</u></u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA 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 Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and other local taxes	\$ 1,518,261	\$ 1,518,261	\$ 1,593,302	\$ 75,041
Patron fines and fees	38,200	38,200	40,614	2,414
Contributions, gifts and donations	6,000	6,000	9,888	3,888
Earnings on investments	1,000	1,000	3,810	2,810
Miscellaneous	82,550	82,550	91,549	8,999
<i>Total receipts</i>	<u>1,646,011</u>	<u>1,646,011</u>	<u>1,739,163</u>	<u>93,152</u>
Disbursements				
Current:				
General library services	54,921	1,882,183	1,565,568	316,615
Capital outlay	-	-	163,287	(163,287)
Debt service:				
Redemption of principal	-	-	2,447	(2,447)
Interest	-	-	1,625	(1,625)
<i>Total disbursements</i>	<u>54,921</u>	<u>1,882,183</u>	<u>1,732,927</u>	<u>149,256</u>
<i>Excess of receipts over (under) disbursements</i>	<u>1,591,090</u>	<u>(236,172)</u>	<u>6,236</u>	<u>242,408</u>
Other Financing Sources (Uses)				
Debt proceeds	-	-	130,000	130,000
Transfers in	-	-	60,192	60,192
Other financing uses	-	(4,072)	-	4,072
Transfers out	-	(13,600)	-	13,600
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(17,672)</u>	<u>190,192</u>	<u>207,864</u>
<i>Net change in fund balances</i>	1,591,090	(253,844)	196,428	450,272
<i>Fund balances beginning of year</i>	218,266	218,266	218,266	-
<i>Prior year encumbrances appropriated</i>	<u>60,351</u>	<u>60,351</u>	<u>60,351</u>	<u>-</u>
<i>Fund balances end of year</i>	<u>\$ 1,869,707</u>	<u>\$ 24,773</u>	<u>\$ 475,045</u>	<u>\$ 450,272</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
Statement of Net Assets - Modified Cash Basis
For the Year Ended December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 113,309
Investments	<u>2,436,354</u>
Total assets	<u>\$ 2,549,663</u>
Net Assets	
Restricted for:	
Capital projects	\$ 2,255,704
Permanent fund purpose	15,382
Unrestricted	<u>278,577</u>
Total Net Assets	<u>\$ 2,549,663</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY

Statement of Activities - Modified Cash Basis

For the Year ended December 31, 2005

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General library services	\$ 1,588,323	\$ 39,841	\$ (1,548,482)
Capital outlay	18,000	-	(18,000)
<i>Total Governmental Activities</i>	<u>\$ 1,606,323</u>	<u>\$ 39,841</u>	<u>(1,566,482)</u>

General Receipts

Property taxes levied for general purpose	1,586,991
Unrestricted gifts and contributions	6,070
Interest	100,278
Miscellaneous	72,620
<i>Total general receipts</i>	<u>1,765,959</u>
 Change in net assets	 199,477
<i>Net assets beginning year</i>	<u>2,350,186</u>
<i>Net assets end of year</i>	<u>\$ 2,549,663</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 113,309	\$ -	\$ -	\$ 113,309
Investments	165,268	2,255,704	15,382	2,436,354
<i>Total assets</i>	<u>\$ 278,577</u>	<u>\$ 2,255,704</u>	<u>\$ 15,382</u>	<u>\$ 2,549,663</u>
Fund Balances				
Reserved:				
Reserved for encumbrances	\$ 60,351	\$ -	\$ -	\$ 60,351
Unreserved:				
Undesignated (deficit), reported in:				
General fund	218,226	-	-	218,226
Other funds	-	-	15,382	15,382
Capital projects funds	-	2,255,704	-	2,255,704
<i>Total fund balances</i>	<u>\$ 278,577</u>	<u>\$ 2,255,704</u>	<u>\$ 15,382</u>	<u>\$ 2,549,663</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY

Reconciliation of Total Governmental Fund Balances to

Net Assets of Governmental Activities

For the Year Ended December 31, 2005

Total governmental fund balances	<u>\$ 2,549,663</u>
<i>Net assets of governmental activities</i>	<u>\$ 2,549,663</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other local taxes	\$ 1,586,991	\$ -	\$ -	\$ 1,586,991
Patron fines and fees	39,841	-	-	39,841
Contributions, gifts and donations	6,070	-	-	6,070
Earnings on investments	35,387	64,435	456	100,278
Miscellaneous	72,620	-	-	72,620
<i>Total receipts</i>	<u>1,740,909</u>	<u>64,435</u>	<u>456</u>	<u>1,805,800</u>
Disbursements				
Current:				
General library services	1,588,323	-	-	1,588,323
Capital outlay	18,000	-	-	18,000
<i>Total disbursements</i>	<u>1,606,323</u>	<u>-</u>	<u>-</u>	<u>1,606,323</u>
<i>Excess to receipts over (under) disbursements</i>	<u>134,586</u>	<u>64,435</u>	<u>456</u>	<u>199,477</u>
Other Financing Sources (Uses)				
Transfers in	-	33,792	-	33,792
Transfers out	(33,792)	-	-	(33,792)
<i>Total other funding sources (uses)</i>	<u>(33,792)</u>	<u>33,792</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	100,794	98,227	456	199,477
<i>Fund balances beginning of year</i>	<u>177,783</u>	<u>2,157,477</u>	<u>14,926</u>	<u>2,350,186</u>
<i>Fund balances end of year</i>	<u>\$ 278,577</u>	<u>\$ 2,255,704</u>	<u>\$ 15,382</u>	<u>\$ 2,549,663</u>

See accompanying notes to the basic financial statements.

ASHTABULA COUNTY DISTRICT LIBRARY, ASHTABULA COUNTY
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005*

Net change in fund balances - Total governmental funds	<u>\$ 199,477</u>
<i>Change in net assets of governmental activities</i>	<u>\$ 199,477</u>

See accompanying notes to the basic financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and other local taxes	\$ 1,645,875	\$ 1,645,875	\$ 1,586,991	\$ (58,884)
Patron fines and fees	38,900	38,900	39,841	941
Contributions, gifts and donations	7,000	7,000	6,070	(930)
Earnings on investments	1,000	1,000	35,387	34,387
Miscellaneous	86,000	86,000	72,620	(13,380)
<i>Total receipts</i>	<u>1,778,775</u>	<u>1,778,775</u>	<u>1,740,909</u>	<u>(37,866)</u>
Disbursements				
Current:				
General library services	1,643,975	1,759,968	1,648,674	111,294
Capital outlay	-	-	18,000	(18,000)
<i>Total disbursements</i>	<u>1,643,975</u>	<u>1,759,968</u>	<u>1,666,674</u>	<u>93,294</u>
<i>Excess of receipts over (under) disbursements</i>	<u>134,800</u>	<u>18,807</u>	<u>74,235</u>	<u>55,428</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(33,093)	(33,792)	(699)
Other financing uses	(25,000)	(10,000)	-	10,000
<i>Total other financing sources (uses)</i>	<u>(25,000)</u>	<u>(43,093)</u>	<u>(33,792)</u>	<u>9,301</u>
<i>Net change in fund balances</i>	109,800	(24,286)	40,443	64,729
<i>Fund balances beginning of year</i>	76,828	76,828	76,828	-
<i>Prior year encumbrances appropriated</i>	100,955	100,955	100,955	-
<i>Fund balances end of year</i>	<u>\$ 287,583</u>	<u>\$ 153,497</u>	<u>\$ 218,226</u>	<u>\$ 64,729</u>

See accompanying notes to the basic financial statements.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 1 – Description of the Library and Reporting Entity

The Ashtabula County District Library was organized as a school district public library in 1813 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members; 4 appointed by the county commissioners and 3 by common pleas judges. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

Component units are legally separate organizations for which the Library is financially accountable. The Library has no component units.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. In the government-wide financial statements 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 *modified* cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 2 - Summary of Significant Accounting Policies (continued)

The statements of net assets present the cash and investment balances of the governmental activities of the Library at each year-end. The statements of activities compare disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draw from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental. (The Library's funds are divided into three categories, governmental, proprietary and fiduciary.)

Governmental Funds

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

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

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

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds

Trust funds are used to account for assets restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library has one Nonexpendable Trust fund – Lyons.

C. Basis of Accounting

The Library's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this *modified* 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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

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

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of 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 are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006 and 2005, investments were limited to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by *Sky Bank* on December 31, 2006 and 2005.

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 and 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 and 2005 amounted to \$90,789 and \$100,278, respectively, which includes \$86,979 and \$64,891 assigned from other Library funds.

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.

Ashtabula County District Library
Ashtabula County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

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.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

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.

The Library had \$2,282,130 and \$2,255,704 at December 31, 2006 and 2005, restricted for capital projects.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 2 – Summary of Significant Accounting Policies (continued)

M. Fund Balance Reserves

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

N. Estimates

The modified cash basis of accounting used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding for the general fund at December 31, 2006 and 2005 (budgetary basis) amounted to \$7,670 and \$60,351, respectively.

Note 4 – Deposits and Investments

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

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

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

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 4 – Deposits and Investments (continued)

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

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

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

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 4 – Deposits and Investments (continued)

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

At December 31, 2006 and 2005, the Library had \$ -0- in undeposited cash on hand which is included as part of “Cash” or “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

Deposits

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Federal Home Loan Bank investments are held in book-entry form by the Federal Reserve, in the name of the Library’s financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in Star Ohio are not evidenced by securities existing in physical or book-entry form. The Library’s financial institution transfers the securities to the Library’s agent to collateralize repurchase agreements. The securities are not in the Library’s name.

As of December 31, 2006, the Library had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$1,425,000	Variable
Federal Home Loan Bank Notes	538,000	Variable
Federal Home Loan Mortgage Association	110,000	Variable
Money Market Mutual Fund	314,510	Average
Bank Certificates of Deposit	162,463	Average
STAR Ohio	91,819	Average
Total Investments	<u>\$2,641,792</u>	

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 4 - Deposits and Investments (continued)

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

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$1,400,000	Variable
Federal Home Loan Bank Notes	540,525	Variable
Federal Home Loan Mortgage Association	50,000	Variable
Bank Certificates of Deposit	330,838	Average
STAR Ohio	<u>114,991</u>	Average
Total Investments	<u>\$2,436,354</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 requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The federal national mortgage association notes, federal home loan mortgage corporation notes and federal home loan bank notes carry a rating of AAA by Standard & Poor and AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The money market fund carries a rating of AAA by Standard & Poor. 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 Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. 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."

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

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 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Sky Insurance	Commercial Property	\$6,000,000
	General Liability	6,000,000
	Commercial Crime	5,000
	Inland Marine	5,000,000
	Vehicle	1,000,000
France & Associates	Errors and Omissions	3,000,000
	Library Officials	2,000,000
Westfield Insurance	Fidelity and Deposit	50,000

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

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

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.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 6 - Defined Benefit Pension Plan (continued)

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9 percent and 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 and 2005 was 13.70 percent and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006 and 2005 have been contributed.

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. The health care coverage provided by the retirement system is considered an Other Post Employment 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 and 2005 local government contribution rates were 13.70 percent and 13.55 percent, respectively, of covered payroll; 4.50 percent and 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, 2005 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 6.30 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.

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 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor of .50 to 6.00 percent annually for the next nine years and 4.00 percent annually after the 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.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005*

Note 7 - Postemployment Benefits (continued)

The number of active contributing participants in the traditional and combined plans was 369,214 at December 31, 2006 and 358,804 at December 31, 2005. Actual employer contributions for 2006 and 2005 which were used to fund post employment benefits were \$254,565 and \$235,310, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) 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) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 8 – Interfund Transfers

For the year ended December 31, 2006, the capital projects fund transferred \$60,192 to the general fund for the purchase and maintenance of various items throughout the Library. For the year ended December 31, 2005, the general fund transferred \$33,793 to the capital projects fund. Plans are being made to either add an addition to the current building, or erect a new facility.

Note 9 – Debt Administration

The Library obtained a loan in the amount of \$130,000 from a local financial institution on August 24, 2006 for the purpose of purchasing a new bookmobile. The debt is to be repaid over five years at \$1,357 per month with an interest rate of 4.57% per annum. The debt is collateralized with a \$130,000 certificate of deposit at the same financial institution. The balance owed at December 31, 2006 was \$127,553. The note has the following maturities:

<u>December 31,</u>	<u>Amount Due</u>
2007	\$ 10,680
2008	11,178
2009	11,700
2010	12,246
2011	<u>81,749</u>
Total	<u>\$ 127,553</u>

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

Ashtabula County District Library
Ashtabula County
335 West 44th Street
Ashtabula, OH 44004

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County District Library, Ashtabula County, Ohio (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 20, 2007. 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 reliability 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.

Ashtabula County District Library
Ashtabula County
Independent Accounts' report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Our consideration of the 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.

We noted certain matters that we reported to the Library's management in a separate letter dated September 20, 2007.

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 effect 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 the audit committee, management, and Board of Trustees. We intend it for no other than these specified parties.

S. R. Snodgrass, A. C.

September 20, 2007



Mary Taylor, CPA
Auditor of State

ASHTABULA COUNTY DISTRICT LIBRARY

ASHTABULA 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
JUNE 10, 2008**