

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**



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, 2007 through December 31, 2008. 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

November 6, 2009

This Page is Intentionally Left Blank.

**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, 2008:	
Statement of Net Assets – Modified Cash Basis – December 31, 2008.....	9
Statement of Activities – Modified Cash Basis – December 31, 2008.....	10
Fund Financial Statements – December 31, 2008:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2008.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2008.....	12
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2008.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – December 31, 2008.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2008.....	15
Government-wide Financial Statements – December 31, 2007:	
Statement of Net Assets – Modified Cash Basis – December 31, 2007.....	16
Statement of Activities – Modified Cash Basis – December 31, 2007.....	17

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

Table of Contents

TITLE	PAGE
Fund Financial Statements – December 31, 2007:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2007.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2007.....	19
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2007.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – December 31, 2007.....	21
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2007.....	22
Notes to the Basic Financial Statements.....	23 - 34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <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 governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula County District Library (the Library), as of December 31, 2008 and December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 the Library as of December 31, 2008 and December 31, 2007 and the respective changes in modified cash basis financial position and the respective budgetary position of the General Fund thereof for the years then ended, in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2009, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The 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.

As described in Note 11 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures and amendment of GASB Statements No. 25 and No. 27*.

A handwritten signature in cursive script that reads "S. R. Smolgrass, A.C.".

July 30, 2009

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
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, 2008 and December 31, 2007, 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 2008 are as follows:

Net assets of governmental activities decreased \$5,495 slight change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Investment Fund, which realized a decrease in interest revenue.

The Government's general receipts are primarily income taxes. These receipts represent 90 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 2008 decreased by \$30,164 compared to 2007.

The Library transferred funds in the amount of \$16,290 from the General Fund to the Debt Fund during 2008 for the purpose of paying down on a long-term note for a vehicle.

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$120,991 or 4 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Investment Fund, which realized an increase in interest of \$49,647.

The Government's general receipts are primarily income taxes and Intergovernmental Revenue. These receipts represent 86 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 2007 decreased by \$12,848 over the receipts for 2006.

The Library transferred funds in the amount of \$16,290 from the General Fund to the Debt Fund during 2007 for the purpose of paying down on a long-term note for a vehicle. In addition, the Library advanced funds in the amount of \$41,300 from the Capital Projects Fund to the General Fund for the purpose of purchasing new equipment for the Library.

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, 2008 and December 31, 2007
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 2008 and 2007, 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 for operations..

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, 2008 and December 31, 2007
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.

Capital Projects Fund – The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

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 2008, 2007, and 2006 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:			
Cash & Cash Equivalents	\$ 334,911	\$ 160,286	\$ 138,777
Investments	<u>2,561,154</u>	<u>2,741,274</u>	<u>2,641,792</u>
Total Assets	<u>2,896,065</u>	<u>2,901,560</u>	<u>2,780,569</u>
Net Assets:			
Restricted For:			
Capital Projects	2,410,917	2,402,437	2,282,130
Permanent Fund Purpose	17,905	17,059	15,723
Unrestricted	<u>467,243</u>	<u>508,363</u>	<u>482,716</u>
Total Net Assets	<u>\$2,896,065</u>	<u>\$2,901,560</u>	<u>\$2,780,569</u>

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

Table 2 reflects the changes in the Library's net assets in 2008, 2007, and 2006 on a modified cash basis.

(Table2)
Change in Net Assets

	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts			
Property & Other Local Taxes	\$1,550,290	\$1,580,454	\$1,593,302
Patron Fines & Fees	38,918	39,574	40,614
Contributions, Gifts, & Donations	15,922	11,455	9,888
Earnings On Investments	93,971	140,435	90,789
Miscellaneous	<u>10,244</u>	<u>60,010</u>	<u>91,529</u>
Total Receipts	<u>1,709,345</u>	<u>1,831,928</u>	<u>1,826,122</u>
Disbursements			
Current:			
General Library Services	1,590,908	1,688,467	1,557,857
Capital Outlay	107,646	-	163,287
Debt Service:			
Principal Retirement	12,851	12,414	2,447
Interest & Fiscal Charges	<u>3,435</u>	<u>3,874</u>	<u>1,625</u>
Total Disbursements	<u>1,714,840</u>	<u>1,704,755</u>	<u>1,725,216</u>
Excess Of Receipts Over (Under) Disbursements	(5,495)	127,173	100,906
Total Other Funding Sources (Uses)	<u>-</u>	<u>(6,182)</u>	<u>130,000</u>
Net Increase In Net Assets	(5,495)	120,991	230,906
Net Assets, January 1	<u>2,901,560</u>	<u>2,780,569</u>	<u>2,549,663</u>
Net Assets, December 31	<u>\$2,896,065</u>	<u>\$2,901,560</u>	<u>\$2,780,569</u>

Unrestricted Grants and Entitlements (LLGSF) represent 90.69%, 86.27%, and 87.25%, respectively, of the Library's total receipts for the years ended December 31, 2008, 2007, and 2006, respectively.

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 87 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, 2008 and December 31, 2007
Unaudited

The Library's Funds

For 2008, total governmental funds had receipts of \$1,709,345 and disbursements of \$1,714,840. The greatest change within governmental funds occurred within the Investment Fund. The fund balance of the Investment Fund decreased \$36,453.

General Fund receipts were less than disbursements by \$24,830, indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2009. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth from the LLGSF remains stagnant.

For 2007, total governmental funds had receipts of \$1,831,928 and disbursements of \$1,704,755. The greatest change within governmental funds occurred within the Investment Fund. The fund balance of the Investment Fund increased \$92,334.

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 2008, 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 \$1,758,364 while actual disbursements were \$1,648,237.

During 2007, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts did not change for the year. The final budgeted receipts were \$1,858,319 and actual receipts were \$1,695,285.

Final disbursements were budgeted at \$1,829,901 while actual disbursements were \$1,688,837. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

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, 2008 and 2007 was \$102,288 and \$115,140, respectively..

Ashtabula County District Library
Ashtabula County

Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on LLGSF and have very little industry to support the tax base. Our recently prepared financial forecast predicts a continued reduction in LLGSF funding. Therefore, the Board and the Administration will have to adjust the Library's budget to reflect the current situation. We are planning construction within the next 2 years and investing has been heavy in order to increase the building fund.

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, Fiscal Officer, 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 334,911
Investments	<u>2,561,154</u>
Total assets	<u><u>\$ 2,896,065</u></u>
Net Assets	
Restricted for:	
Capital projects	\$ 2,410,917
Permanent fund purpose	17,905
Unrestricted	<u>467,243</u>
Total Net Assets	<u><u>\$ 2,896,065</u></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, 2008

	Cash	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements		Governmental Activities
Governmental Activities			
General library services	\$ 1,590,908	\$ 38,918	\$ (1,551,990)
Capital outlay	107,646	-	(107,646)
Debt service			
Principal Retirement	12,851	-	(12,851)
Interest and finance charges	3,435	-	(3,435)
<i>Total Governmental Activities</i>	<u>\$ 1,714,840</u>	<u>\$ 38,918</u>	<u>(1,675,922)</u>

General Receipts

Property taxes levied for general purposes	1,550,290
Unrestricted gifts and contributions	15,922
Debt proceeds	-
Interest	93,971
Miscellaneous	10,244
<i>Total general receipts</i>	<u>1,670,427</u>
Change in net assets	(5,495)
<i>Net assets beginning year</i>	<u>2,901,560</u>
<i>Net assets end of year</i>	<u>\$ 2,896,065</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, 2008*

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 126,703	\$ 207,824	384	\$ 334,911
Investments	<u>340,540</u>	<u>2,201,299</u>	<u>19,315</u>	<u>\$ 2,561,154</u>
<i>Total assets</i>	<u><u>\$ 467,243</u></u>	<u><u>\$ 2,409,123</u></u>	<u><u>\$ 19,699</u></u>	<u><u>\$ 2,896,065</u></u>
Fund Balances				
Reserved:				
Reserved for encumbrances	\$ 4,140	\$ 159,000	\$ -	\$ 163,140
Unreserved:				
Undesignated (deficit), reported in:				
General fund	463,103	-	-	463,103
Other funds	-	-	19,699	19,699
Capital projects funds	<u>-</u>	<u>2,250,123</u>	<u>-</u>	<u>2,250,123</u>
			-	-
<i>Total fund balances</i>	<u><u>\$ 467,243</u></u>	<u><u>\$ 2,409,123</u></u>	<u><u>\$ 19,699</u></u>	<u><u>\$ 2,896,065</u></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, 2008

Total governmental fund balances	<u>\$ 2,896,065</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 2,896,065</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, 2008

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other local taxes	\$ 1,550,290	\$ -	\$ -	1,550,290
Patron fines and fees	38,918	-	-	38,918
Contributions, gifts and donations	15,922	-	-	15,922
Earnings on investments	3,893	89,116	962	93,971
Miscellaneous	10,244	-	-	10,244
<i>Total receipts</i>	<u>1,619,267</u>	<u>89,116</u>	<u>962</u>	<u>1,709,345</u>
Disbursements				
Current:				
General library services	1,584,097	6,811	-	1,590,908
Capital outlay	60,000	47,646	-	107,646
Debt service:				
Principal retirement	-	-	12,851	12,851
Interest and fiscal charges	-	-	3,435	3,435
<i>Total disbursements</i>	<u>1,644,097</u>	<u>54,457</u>	<u>16,286</u>	<u>1,714,840</u>
<i>Excess to receipts over (under) disbursements</i>	<u>(24,830)</u>	<u>34,659</u>	<u>(15,324)</u>	<u>(5,495)</u>
Other Financing Sources (Uses)				
Debt proceeds	-	-	-	-
Transfers in	-	-	16,290	16,290
Transfers out	(16,290)	-	-	(16,290)
<i>Total other financing sources (uses)</i>	<u>(16,290)</u>	<u>-</u>	<u>16,290</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(41,120)</u>	<u>34,659</u>	<u>966</u>	<u>(5,495)</u>
<i>Fund balances beginning of year</i>	<u>508,363</u>	<u>2,374,464</u>	<u>18,733</u>	<u>2,901,560</u>
<i>Fund balances end of year</i>	<u>\$ 467,243</u>	<u>\$ 2,409,123</u>	<u>\$ 19,699</u>	<u>\$ 2,896,065</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, 2008*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (5,495)</u>
<i>Change in net assets of Governmental activities</i>	<u><u>\$ (5,495)</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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and other local taxes	\$ 1,583,509	\$ 1,583,509	\$ 1,550,290	\$ (33,219)
Patron fines and fees	33,700	33,700	38,918	5,218
Contributions, gifts and donations	7,000	7,000	15,922	8,922
Earnings on investments	3,000	3,000	3,894	894
Miscellaneous	1,800	1,800	10,244	8,444
<i>Total receipts</i>	<u>1,629,009</u>	<u>1,629,009</u>	<u>1,619,268</u>	<u>(9,741)</u>
Disbursements				
Current:				
General library services	1,718,235	1,758,364	1,648,237	110,127
Capital outlay	-	-	-	-
Debt service:				
Redemption of principal	-	-	-	-
Interest	-	-	-	-
<i>Total disbursements</i>	<u>1,718,235</u>	<u>1,758,364</u>	<u>1,648,237</u>	<u>110,127</u>
<i>Excess of receipts over (under) disbursements</i>	<u>(89,226)</u>	<u>(129,355)</u>	<u>(28,969)</u>	<u>100,386</u>
Other Financing Sources (Uses)				
Debt proceeds	-	-	-	-
Transfers out	-	(16,290)	(16,290)	-
Other financing uses	-	-	-	-
Transfers out	-	(5,000)	-	5,000
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(21,290)</u>	<u>(16,290)</u>	<u>5,000</u>
<i>Net change in fund balances</i>	<u>(89,226)</u>	<u>(150,645)</u>	<u>(45,259)</u>	<u>105,386</u>
<i>Fund balances beginning of year</i>	<u>507,993</u>	<u>507,993</u>	<u>507,993</u>	<u>-</u>
<i>Prior year encumbrances appropriated</i>	<u>370</u>	<u>370</u>	<u>370</u>	<u>-</u>
<i>Fund balances end of year</i>	<u>\$ 419,137</u>	<u>\$ 357,718</u>	<u>\$ 463,104</u>	<u>\$ 105,386</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, 2007

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 160,286
Investments	<u>2,741,274</u>
Total assets	<u><u>\$ 2,901,560</u></u>
Net Assets	
Restricted for:	
Capital projects	\$ 2,374,464
Permanent fund purpose	18,733
Unrestricted	<u>508,363</u>
Total Net Assets	<u><u>\$ 2,901,560</u></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, 2007

	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	\$ 1,710,938	\$ 39,574	\$ (1,671,364)
Capital outlay	-	-	-
<i>Total Governmental Activities</i>	<u>\$ 1,710,938</u>	<u>\$ 39,574</u>	<u>(1,671,364)</u>

General Receipts

Property taxes levied for general purpose	1,580,454
Unrestricted gifts and contributions	11,455
Interest	140,436
Miscellaneous	60,010
<i>Total general receipts</i>	<u>1,792,355</u>
Change in net assets	120,991
<i>Net assets beginning year</i>	<u>2,780,569</u>
<i>Net assets end of year</i>	<u>\$ 2,901,560</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, 2007

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 67,786	\$ 92,000	500	\$ 160,286
Investments	440,577	2,282,464	18,233	\$ 2,741,274
<i>Total assets</i>	<u>\$ 508,363</u>	<u>\$ 2,374,464</u>	<u>\$ 18,733</u>	<u>\$ 2,901,560</u>
Fund Balances				
Reserved:				
Reserved for encumbrances	\$ 370	-	-	\$ 370
Unreserved:				
Undesignated (deficit), reported in:				
General fund	507,993	-	-	507,993
Other funds	-	-	18,733	18,733
Capital projects funds	-	2,374,464	-	2,374,464
<i>Total fund balances</i>	<u>\$ 508,363</u>	<u>\$ 2,374,464</u>	<u>\$ 18,733</u>	<u>\$ 2,901,560</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, 2007

Total governmental fund balances	<u>\$ 2,901,560</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 2,901,560</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, 2007

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and other local taxes	\$ 1,580,454	\$ -	\$ -	\$ 1,580,454
Patron fines and fees	39,574	-	-	39,574
Contributions, gifts and donations	11,455	-	-	11,455
Earnings on investments	3,793	133,634	3,008	140,435
Miscellaneous	60,010	-	-	60,010
<i>Total receipts</i>	<u>1,695,286</u>	<u>133,634</u>	<u>3,008</u>	<u>1,831,928</u>
Disbursements				
Current:				
General library services	1,688,467	-	-	1,688,467
Debt service				
Principal retirement	-	-	12,414	12,414
Interest	-	-	3,874	3,874
<i>Total disbursements</i>	<u>1,688,467</u>	<u>-</u>	<u>16,288</u>	<u>1,704,755</u>
<i>Excess to receipts over (under) disbursements</i>	<u>6,819</u>	<u>133,634</u>	<u>(13,280)</u>	<u>127,173</u>
Other Financing Sources (Uses)				
Transfers in	-	-	16,290	16,290
Transfers out	(16,290)	-	-	(16,290)
Advances in	41,300	-	-	41,300
Advances out	-	(41,300)	-	(41,300)
Other financing uses	(6,182)	-	-	(6,182)
<i>Total other funding sources (uses)</i>	<u>18,828</u>	<u>(41,300)</u>	<u>16,290</u>	<u>(6,182)</u>
<i>Net change in fund balances</i>	<u>25,647</u>	<u>92,334</u>	<u>3,010</u>	<u>120,991</u>
<i>Fund balances beginning of year</i>	<u>482,716</u>	<u>2,282,130</u>	<u>15,723</u>	<u>2,780,569</u>
<i>Fund balances end of year</i>	<u>\$ 508,363</u>	<u>\$ 2,374,464</u>	<u>\$ 18,733</u>	<u>\$ 2,901,560</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, 2007*

Net change in fund balances - Total governmental funds	<u>\$ 120,991</u>
<i>Change in net assets of governmental activities</i>	<u><u>\$ 120,991</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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and other local taxes	\$ 1,714,119	\$ 1,714,119	\$ 1,580,454	\$ (133,665)
Patron fines and fees	40,700	40,700	39,573	(1,127)
Contributions, gifts and donations	7,500	7,500	11,455	3,955
Earnings on investments	3,500	3,500	3,793	293
Miscellaneous	92,500	92,500	60,010	(32,490)
<i>Total receipts</i>	<u>1,858,319</u>	<u>1,858,319</u>	<u>1,695,285</u>	<u>(163,034)</u>
Disbursements				
Current:				
General library services	1,780,108	1,829,901	1,688,837	141,064
Capital outlay	-	-	-	-
<i>Total disbursements</i>	<u>1,780,108</u>	<u>1,829,901</u>	<u>1,688,837</u>	<u>141,064</u>
<i>Excess of receipts over (under) disbursements</i>	<u>78,211</u>	<u>28,418</u>	<u>6,448</u>	<u>(21,970)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(57,590)	(16,290)	41,300
Advances in	-	-	41,300	41,300
Other financing uses	(25,000)	(20,000)	(6,182)	13,818
<i>Total other financing sources (uses)</i>	<u>(25,000)</u>	<u>(77,590)</u>	<u>18,828</u>	<u>96,418</u>
<i>Net change in fund balances</i>	<u>53,211</u>	<u>(49,172)</u>	<u>25,276</u>	<u>74,448</u>
<i>Fund balances beginning of year</i>	<u>475,046</u>	<u>475,046</u>	<u>475,046</u>	<u>-</u>
<i>Prior year encumbrances appropriated</i>	<u>7,670</u>	<u>7,670</u>	<u>7,670</u>	<u>-</u>
<i>Fund balances end of year</i>	<u>\$ 535,927</u>	<u>\$ 433,544</u>	<u>\$ 507,992</u>	<u>\$ 74,448</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, 2008 and December 31, 2007*

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, 2008 and December 31, 2007*

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.

Capital Projects Fund - The capital projects 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, 2008 and December 31, 2007*

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 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, 2008 and December 31, 2007*

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 2008 and 2007, 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 *Huntington National Bank* on December 31, 2008 and 2007.

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, 2008 and 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2008 and 2007 amounted to \$93,971 and \$140,435, respectively, which includes \$89,116 and \$133,634 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, 2008 and December 31, 2007*

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 \$2,410,917 and \$2,376,138 at December 31, 2008 and 2007, restricted for capital projects.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

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, 2008 and 2007 (budgetary basis) amounted to \$4,140 and \$370, 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, 2008 and December 31, 2007*

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, 2008 and December 31, 2007

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, 2008 and 2007, 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, 2008, the Library had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$359,000	Variable
Federal Home Loan Bank Notes	400,000	Variable
Federal Home Loan Mortgage Association	623,615	Variable
Money Market Mutual Fund	286,952	Average
Bank Certificates of Deposit	727,110	Average
STAR Ohio	164,477	Average
Total Investments	<u>\$2,561,154</u>	

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

Note 4 - Deposits and Investments (continued)

As of December 31, 2007, the Library had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$1,059,410	Variable
Federal Home Loan Bank Notes	905,000	Variable
Federal Home Loan Mortgage Association	100,000	Variable
Money Market Mutual Fund	332,113	Average
Bank Certificates of Deposit	176,965	Average
STAR Ohio	<u>167,786</u>	Average
Total Investments	<u>\$2,741,274</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, 2008 and December 31, 2007*

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 2008 and 2007, 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, 2008 and December 31, 2007*

Note 6 - Defined Benefit Pension Plan (continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For the years ended December 31, 2008 and 2007, the members in state and local classifications contributed 10.0 percent and 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2008 and 2007 was 14.0 percent. 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, 2008 and 2007 have been contributed.

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85% of covered payroll. In 2008, local government employers contributed 14.0% of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which was allocated to fund post-employment health care was 5% of covered payroll from January 1 through

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

Note 7 - Postemployment Benefits (continued)

June 30, 2007, 6% from July 1 to December 31, 2007, and 7% of covered payroll from January 1, 2008 to December 31, 2008.

The Retirement Board is also authorized to establish rules for the payment of a portion of health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Members and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health plan.

Note 8 – Grants-In-Aid

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, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenue the Library receives.

Note 9 – Interfund Transfers

For the year ended December 31, 2008, the general fund transferred \$16,290 to the debt fund for the payment of previously borrowed funds for a bookmobile. For the year ended December 31, 2007, the general fund transferred \$16,290 to the debt fund for the payment of debt incurred to purchase a bookmobile, and in addition funds in the amount of \$41,300 were advanced from the capital projects fund to the general fund in order to purchase new equipment. Plans are being made to either add an addition to the current building, or erect a new facility.

Note 10 – 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 a variable interest rate tied to the rate of a certificate of deposit that the Library has with the financial institution in the amount \$130,000. The rate at December 31, 2008 was 3.09% per annum.

**Ashtabula County District Library
Ashtabula County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

Note 10 – Debt Administration (continued)

The balance owed at December 31, 2008 was \$102,288. The note has the following maturities:

<u>December 31,</u>	<u>Amount Due</u>
2009	11,700
2010	12,246
2011	<u>78,342</u>
Total	<u>\$ 102,288</u>

Note 11 – Changes in Accounting Principles

For fiscal year 2008, the Library implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. GASB Statement No. 45 established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The application of these standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH 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 (the Library), as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated July 30, 2009, wherein we noted the Library followed the modified cash basis of accounting rather than accounting principles generally accepted 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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With *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.

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. Smolgrass, A.C.

July 30, 2009



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
NOVEMBER 19, 2009**