



**Auditor of State
Betty Montgomery**

**ADAMS COUNTY PUBLIC LIBRARY
ADAMS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Adams County Public Library
Adams County
157 High Street
Peebles, Ohio 45660

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 Adams County Public Library, Adams County, Ohio (the Library), as of and for the year ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Adams County Public Library, Adams County, Ohio, as of December 31, 2004 and 2003, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2004 and 2003, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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

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

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

Betty Montgomery
Auditor of State

April 10, 2006

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

This discussion and analysis of the Adams County Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004 and 2003, within the limitations of the Library's 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 2004 are as follows:

Net assets of governmental activities increased \$74,349, or 5.76 percent, a slight change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 92.30 percent of the total cash received for governmental activities during the year. These receipts for 2004 increased less than 1% as compared to 2003.

Key highlights for 2003 are as follows:

Net assets of governmental activities increased \$139,844, or 12.16 percent from the prior year. The fund most affected by the increase in cash and cash equivalents was the Capital Projects Fund North Adams which received a transfer of \$250,000 from the General Fund.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 97 percent of the total cash received for governmental activities during the year. These receipts for 2003 decreased \$10,035 or 1.01% compared to 2002.

Using the Basic Financial Statements

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

Report Components

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

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

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

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2003 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the pooled cash balances and cash equivalent of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities. All of the Library's basic services are reported here, including library services, and capital outlay. State grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Governmental Funds - All 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 major governmental funds are the General Fund, Capital Project Manchester Building Fund, and Capital Project North Adams Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003 and 2002 on a cash basis:

(Table 1)

Net Assets - Cash Basis

	Governmental Activities	
	2004	2003
Assets		
Pooled Cash and Cash Equivalents	1,363,615	1,289,266
Net Assets		
Restricted for:		
Capital Projects	754,014	864,817
Unrestricted	609,601	424,449
Total Net Assets	1,363,615	1,289,266

As mentioned previously, net assets of governmental activities increased \$139,844 or 12.16 percent during 2003. The primary reasons contributing to the increase of the cash balances are as follows:

- Since the Library and Local Support Fund was frozen at 2002 levels, management sought ways to hold the line on expenditures in 2003.
- Total wages decreased slightly as a result of unfilled vacancies and suspension of the library page program.
- Materials expenditures were reduced slightly.
- Capital Building projects were put on hold.

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

In 2004, net assets of governmental activities increased \$74,349 or 5.7 percent during 2004. The primary reasons contributing to the increase of the cash balances are as follows:

- Since the Library and Local Support Fund was frozen at 2002 levels, management sought ways to hold the line on expenditures in 2004.
- Overall increases in wages were less than 2.0%.
- Expenditures for purchased and contract services remained constant.
- Materials expenditures were decreased by 7.5%.
- Expenditures for supplies and other expenditures remained constant.
- Capital Building projects were put on hold, although planning continued.

Table 2 reflects the changes in net assets for the years ended December 31, 2004 and 2003.

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

(Table 2)

Changes in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$28,155	\$29,565
Operating Grants and Contributions	25,205	180
Capital Grants and Contributions		
Total Program Receipts	<u>53,360</u>	<u>29,745</u>
General Receipts:		
Property and Other Local Taxes		
Income Taxes		
Grants and Entitlements Not Restricted to Specific Programs	991,996	985,818
Unrestricted Gifts and Donations	2,052	999
Sale of Capital Assets		6,632
Interest	25,211	19,352
Miscellaneous	2,157	2,523
Total General Receipts	<u>1,021,416</u>	<u>1,015,324</u>
Total Receipts	<u>1,074,776</u>	<u>1,045,069</u>
Disbursements:		
Salaries	485,282	475,851
Employee Fringe Benefits	92,189	87,935
Purchased and Contracted Services	195,158	104,427
Library Material and Information	146,326	144,101
Supplies	26,502	25,472
Other	3,701	2,932
Capital Outlay	51,269	64,507
Total Disbursements	<u>1,000,427</u>	<u>905,225</u>
Net Assets, January 1	<u>1,289,266</u>	<u>1,149,422</u>
Net Assets, December 31	<u>1,363,615</u>	<u>\$1,289,266</u>

In 2003 program receipts represented 2.8% of total receipts and were primarily comprised of patron fines and fees. In 2004 program receipts represented 5% of total receipts and included a Gates grant as well as patron fines and fees.

General receipts represent over 97 and 95 percent for 2003 and 2004 respectively of the Library's total receipts, and of this amount, over 94 and 92 percent for 2003 and 2004 respectively are Library and Local Government Support Fund monies. Miscellaneous receipts, unrestricted gifts, sale of capital assets and interest make up the balance of the Library's general receipts. These receipts are somewhat unpredictable revenue sources.

Adams County Public Library
Management's Discussion and Analysis
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Unaudited

Disbursements for the Library represent the overhead costs of running the Library. These include the costs of library materials and information, purchased and contract services, supplies, as well as payroll. Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 17, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and employee fringe benefits, which account for 52.56 and 9.71 percent and 48.5 and 9.2 percent of all governmental disbursements, for 2003 and 2004 respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State Library and Local Government Support Fund and other receipts. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 below.

	Total Cost Of Services	Net Cost of Services
Governmental Activities		
	Total Cost Of Services	Net Cost of Services
	2003	2003
Current		
Salaries	475,851	460,182
Employee Fringe Benefits	87,936	84,980
Purchased and Contract Services	104,427	100,879
Library Materials and Information	144,101	139,190
Supplies	25,472	24,585
Other	2,932	2,932
Capital Outlay	64,506	62,732
Total Expenses	\$905,225	\$875,480

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

(Table 3)

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Governmental Activities		
Current		
Salaries	485,282	469,515
Employee Fringe Benefits	92,189	89,092
Purchased and Contract Services	195,158	191,779
Library Materials and Information	146,327	141,540
Supplies	26,502	25,657
Other	3,701	3,701
Capital Outlay	51,269	25,783
Total Expenses	<u>\$1,000,428</u>	<u>\$947,067</u>

Over 95 percent of the total costs of Library operations are derived from general receipts and as stated previously, this consists of State funding through the Library and Local Government Support Funds.

The Library's Funds

Total governmental funds had receipts of \$1,045,069 and 1,074,776. and disbursements of \$905,228 and 1,000,428 for 2003 and 2004 respectively . The greatest change within governmental funds occurred within the Capital Projects North Adams Building Fund in 2003. The fund balance of the Capital Projects North Adams Building Fund increased \$249,800 due to a transfer from the General Fund. This was possible as the result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).

In light of the continued uncertainty regarding the Local Government Support Fund, the administration felt that holding the line on disbursements was preferable to requesting additional funds from the taxpayers. These measures will not eliminate the need for additional funds or reductions of expenditures in the future if the growth in the Local Government Support Funding is reduced or remains stagnant.

General Fund Budgeting Highlights

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

Final budgeted receipts were more than actual receipts in 2003. Final budgeted receipts were less than actual receipts in 2004 due to unexpected increases in Interest on Investments, Patron Fines and Fees and Contributions, Gifts, and Donations and reduction in Library support.

Final Funds disbursements were budgeted at \$1,625,253 and \$1,433,851 for 2003 and 2004 respectively, while actual disbursements were \$1,168,106 and \$877,968 for 2003 and 2004 respectively. Variances were a result of conservative spending measurers on behalf of the Library's management as a result of the uncertainty of the Library funding levels in future periods.

Adams County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2004 and 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Library does not report capital assets under the cash basis of accounting.

Debt

The Library had no debt during the period January 1, 2003 through December 31, 2004.

Current Issues

As the preceding information shows, the Library heavily depends on Library and Local Government Support monies. With the Local Government Support Fund being frozen at the 2002 level for the calendar years 2004 and 2005, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Glenda J. Jones Clerk-Treasurer, Adams County Public Library, 157 High St. Peebles, Ohio 45660 e-mail at jonesgl@oplin.org.

Adams County Public Library, Adams County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	<u>\$1,363,615</u>
<i>Total Assets</i>	<u><u>\$1,363,615</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$754,014
Unrestricted	<u>609,601</u>
<i>Total Net Assets</i>	<u><u>\$1,363,615</u></u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Salaries	485,282	15,767			(\$469,515)
Employee Fringe Benefits	92,189	3,097			(89,092)
Purchased and Contract Services	195,157	3,379			(191,778)
Library Materials and Information	146,327	4,786			(141,541)
Supplies	26,502	845			(25,657)
Other	3,701	0			(3,701)
Capital Outlay	51,269	281	25,205		(25,783)
<i>Total Governmental Activities</i>	<u>\$1,000,427</u>	<u>\$28,155</u>	<u>\$25,205</u>	<u>\$0</u>	<u>(947,067)</u>
General Receipts					
					2,052
					991,996
					25,211
					2,157
<i>Total General Receipts</i>					1,021,416
					74,349
<i>Net Assets Beginning of Year</i>					1,289,266
<i>Net Assets End of Year</i>					<u>\$1,363,615</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Capital Project Manchester Bldg Fund</u>	<u>Capital Project North Adams Bldg Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$609,600	\$491,280	\$218,294	\$44,441	\$1,363,615
<i>Total Assets</i>	<u>\$609,600</u>	<u>\$491,280</u>	<u>\$218,294</u>	<u>\$44,441</u>	<u>\$1,363,615</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$13,548	\$10,506			\$24,054
Unreserved:					
Undesignated, Reported in:					
General Fund	596,052				596,052
Capital Projects Funds		480,774	218,294	44,441	743,509
					<u>0</u>
<i>Total Fund Balances</i>	<u>\$609,600</u>	<u>\$491,280</u>	<u>\$218,294</u>	<u>\$44,441</u>	<u>\$1,363,615</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Capital Project Manchester Bldg Fund	Capital Project North Adams Bldg Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$991,996				\$991,996
Intergovernmental				25,205	25,205
Patron Fines and Fees	28,155				28,155
Contributions, Gifts and Donations	2,052				2,052
Earnings on Investments	25,211				25,211
Miscellaneous	2,157				2,157
<i>Total Receipts</i>	<u>1,049,571</u>	<u>0</u>	<u>0</u>	<u>25,205</u>	<u>1,074,776</u>
Disbursements					
Library Services:					
Current:					
Salaries	485,282				485,282
Employee Fringe Benefits	92,189				92,189
Purchased and Contract Services	105,037	58,614	31,506		195,157
Library Material and Information	146,327				146,327
Supplies	26,502				26,502
Other	3,701				3,701
Capital Outlay	5,381			45,888	51,269
<i>Total Disbursements</i>	<u>864,419</u>	<u>58,614</u>	<u>31,506</u>	<u>45,888</u>	<u>1,000,427</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>185,152</u>	<u>(58,614)</u>	<u>(31,506)</u>	<u>(20,683)</u>	<u>74,349</u>
<i>Net Change in Fund Balances</i>	185,152	(58,614)	(31,506)	(20,683)	74,349
<i>Fund Balances Beginning of Year</i>	<u>424,449</u>	<u>549,894</u>	<u>249,800</u>	<u>65,123</u>	<u>1,289,266</u>
<i>Fund Balances End of Year</i>	<u>\$609,601</u>	<u>\$491,280</u>	<u>\$218,294</u>	<u>\$44,440</u>	<u>\$1,363,615</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Library and Local Government Support	\$990,002	\$990,002	\$991,996	\$1,994
Patron Fines and Fees	4,000	4,000	28,155	24,155
Contributions, Gifts and Donations	300	300	2,052	1,752
Earnings on Investments	15,000	15,000	25,211	10,211
Miscellaneous	100	100	2,157	2,057
<i>Total receipts</i>	1,009,402	1,009,402	1,049,571	40,169
Disbursements				
Library Services:				
Current:				
Salaries	620,000	620,000	485,282	134,718
Employee Fringe Benefits	129,200	129,200	92,189	37,011
Purchased and Contracted Services	193,320	193,320	106,821	86,499
Library Material and Information	224,368	224,368	156,484	67,884
Supplies	42,113	42,113	27,370	14,743
Other	6,200	6,200	3,701	2,499
Capital Outlay	176,450	176,450	6,121	170,329
<i>Total Disbursements</i>	1,391,651	1,391,651	877,968	513,683
<i>Excess of Receipts Over (Under) Disbursements</i>	(382,249)	(382,249)	171,603	553,852
Other Financing Sources (Uses)				
Transfers Out	(100)	(100)		100
Other Financing Uses	(42,100)	(42,100)		42,100
<i>Total Other Financing Sources (Uses)</i>	(42,200)	(42,200)	0	42,200
<i>Net Change in Fund Balance</i>	(424,449)	(424,449)	171,603	596,052
<i>Fund Balance Beginning of Year</i>	406,385	406,385	406,385	0
Prior Year Encumbrances Appropriated	18,064	18,064	18,064	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$596,052	\$596,052

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County

Statement of Net Assets - Cash Basis

December 31, 2003

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	<u>\$1,289,266</u>
<i>Total Assets</i>	<u><u>\$1,289,266</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$864,817
Unrestricted	<u>424,449</u>
<i>Total Net Assets</i>	<u><u>\$1,289,266</u></u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2003

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities					
Library Services:					
Salaries	475,851	15,669			(\$460,182)
Employee Fringe Benefits	87,936	2,956			(84,980)
Purchased and Contract Services	104,427	3,548			(100,879)
Library Materials and Information	144,101	4,731	180		(139,190)
Supplies	25,472	887			(24,585)
Other	2,932	0			(2,932)
Capital Outlay	64,506	1,774			(62,732)
<i>Total Governmental Activities</i>	<u>\$905,225</u>	<u>\$29,565</u>	<u>\$180</u>	<u>\$0</u>	<u>(875,480)</u>
General Receipts					
					999
					985,818
					19,352
					6,632
					2,523
<i>Total General Receipts</i>					1,015,324
Change in Net Assets					139,844
<i>Net Assets Beginning of Year</i>					1,149,422
<i>Net Assets End of Year</i>					<u>\$1,289,266</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2003

	<u>General</u>	<u>Capital Project Manchester Bldg Fund</u>	<u>Capital Project North Adams Bldg Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$424,449	\$549,894	\$249,800	\$65,123	\$1,289,266
<i>Total Assets</i>	<u>\$424,449</u>	<u>\$549,894</u>	<u>\$249,800</u>	<u>\$65,123</u>	<u>\$1,289,266</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$18,064				\$18,064
Unreserved:					
Undesignated, Reported in:					
General Fund	406,385				406,385
Capital Projects Funds		549,894	249,800	65,123	864,817
					0
<i>Total Fund Balances</i>	<u>\$424,449</u>	<u>\$549,894</u>	<u>\$249,800</u>	<u>\$65,123</u>	<u>\$1,289,266</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Capital Project Manchester Bldg Fund	Capital Project North Adams Bldg Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$985,818				\$985,818
Intergovernmental	180				180
Patron Fines and Fees	29,565				29,565
Contributions, Gifts and Donations	999				999
Earnings on Investments	19,352				19,352
Miscellaneous	2,523				2,523
<i>Total Receipts</i>	<u>1,038,437</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,038,437</u>
Disbursements					
Library Services:					
Current:					
Salaries	475,851				475,851
Employee Fringe Benefits	87,936				87,936
Purchased and Contract Services	104,120	106	200		104,426
Library Material and Information	144,101				144,101
Supplies	25,472				25,472
Other	2,932				2,932
Capital Outlay	59,630			4,877	64,507
<i>Total Disbursements</i>	<u>900,042</u>	<u>106</u>	<u>200</u>	<u>4,877</u>	<u>905,225</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>138,395</u>	<u>(106)</u>	<u>(200)</u>	<u>(4,877)</u>	<u>133,212</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	6,632				6,632
Transfers In			250,000		250,000
Transfers Out	(250,000)				(250,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(243,368)</u>	<u>0</u>	<u>250,000</u>	<u>0</u>	<u>6,632</u>
<i>Net Change in Fund Balances</i>	(104,973)	(106)	249,800	(4,877)	139,844
<i>Fund Balances Beginning of Year</i>	<u>529,422</u>	<u>550,000</u>	<u>0</u>	<u>70,000</u>	<u>1,149,422</u>
<i>Fund Balances End of Year</i>	<u>\$424,449</u>	<u>\$549,894</u>	<u>\$249,800</u>	<u>\$65,123</u>	<u>\$1,289,266</u>

See accompanying notes to the basic financial statements

Adams County Public Library, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Library and Local Government Support	\$1,071,831	\$1,071,831	\$985,818	(\$86,013)
Intergovernmental		0	180	180
Patron Fines and Fees	4,000	4,000	29,565	25,565
Contributions, Gifts and Donations	500	500	999	499
Earnings on Investments	19,400	19,400	19,352	(48)
Miscellaneous	100	100	2,523	2,423
<i>Total receipts</i>	<u>1,095,831</u>	<u>1,095,831</u>	<u>1,038,437</u>	<u>(57,394)</u>
Disbursements				
Library Services:				
Current:				
Salaries	667,399	642,399	475,851	166,548
Employee Fringe Benefits	140,100	140,720	88,136	52,584
Purchased and Contracted Services	202,137	191,537	110,240	81,297
Library Material and Information	221,878	209,278	153,669	55,609
Supplies	42,690	42,690	26,585	16,105
Other	6,700	6,700	2,932	3,768
Capital Outlay	314,182	114,182	60,693	53,489
<i>Total Disbursements</i>	<u>1,595,086</u>	<u>1,347,506</u>	<u>918,106</u>	<u>429,400</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(499,255)</u>	<u>(251,675)</u>	<u>120,331</u>	<u>372,006</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	6,632	6,632
Transfers Out	(100)	(250,100)	(250,000)	100
Other Financing Uses	(30,067)	(27,647)	0	27,647
<i>Total Other Financing Sources (Uses)</i>	<u>(30,167)</u>	<u>(277,747)</u>	<u>(243,368)</u>	<u>34,379</u>
<i>Net Change in Fund Balance</i>	(529,422)	(529,422)	(123,037)	406,385
<i>Fund Balance Beginning of Year</i>	500,649	500,649	500,649	0
Prior Year Encumbrances Appropriated	28,773	28,773	28,773	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$406,385</u>	<u>\$406,385</u>

See accompanying notes to the basic financial statements

Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

Note 1 – Description of the Library and Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Adams County Public Library, Adams County, (the Library) as a body corporate and politic. The Board of Education of the Adams County/Ohio Valley Schools appoints a seven-member Board of Trustees to govern the Library. 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.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of the Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

A reporting entity is comprised of the primary government, component units, and other organizations included to ensure that the basic financial statements of the Library are not misleading. The primary government consists of all funds of the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of debt or the levying of their taxes. The Library has no component units or other organizations that are financially dependent upon the library.

The Friends of the Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not have the ability to access a majority of the economic resources received or held by the Friends of the Library, Inc.. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

For fiscal year 2003 the Library has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Library's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that 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 all financial activities of the Library.

Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash basis financial condition of governmental activities of the Library at year-end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Library's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include grants and contributions that are restricted to meeting the operational requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Library. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Library.

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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Library functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

General Fund

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

Manchester and North Adams Building Funds

These building funds account for monies set aside by the Board of Library Trustees specifically for major capital improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the 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 when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

Note 2 – Summary of Significant Accounting Policies (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. On a cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

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 Library Trustees.

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

The appropriation 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 the prior years. The amounts reported as the final budgeted amounts represent the final appropriation amount passed by the Trustees during the year.

E. Cash and Cash Equivalents and Investments

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

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

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

Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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, laws of other governments, or imposed by enabling legislation. Restricted assets represent Capital Project fund balances.

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

Capital assets (fixed assets) acquired or constructed for the Library are recorded as disbursements at the time of acquisition. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as retirement, employees are entitled to cash payments up to 25% of unused medical leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

K. Long-Term Obligations

The Library's 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.

L. Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003**

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserve

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. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. In the government-wide financial statements transfers within governmental activities are eliminated.

Note 3 – Equity in Pooled Cash and Investment

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2003	2004
Demand Deposit	\$213,046	\$95,306
Money Market Deposit	1,065,766	1,353,028
Total Deposit	1,278,812	1,353,028
 STAR Ohio	 10,454	 10,587
Total Deposit and Investment	\$1,289,266	\$1,363,615

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance. The encumbrances outstanding at year end (budgetary basis) amounted to \$18,064 for 2003 and \$13,549 for 2004 for the general fund.

Note 5 – Grants-in-aid and Tax Receipts

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 revenues the Library receives.

Adams County Public Library
Adams County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2004 and 2003

Note 6 – Risk Management

Commercial Insurance

The Adams County Public Library has obtained commercial insurance for the following risks:

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

The library also provides health insurance through a private carrier to employees with an assignment of 25 hours or more per week.

Note 7 – Postemployment Benefits

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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



Auditor of State Betty Montgomery

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

Adams County Public Library
Adams County
157 High Street
Peebles, Ohio 45660

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 Adams County Public Library, Adams County, Ohio (the Library), as of and for the year ended December 31, 2004 and 2003, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 10, 2006. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Adams County Public Library
Adams County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

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

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

Betty Montgomery
Auditor of State

April 10, 2006



**Auditor of State
Betty Montgomery**

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ADAMS COUNTY PUBLIC LIBRARY

ADAMS 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
MAY 4, 2006**