



**Auditor of State
Betty Montgomery**

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Delaware County District Library
Delaware County
84 E. Winter Street
Delaware, Ohio 43015

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Delaware County District Library, Delaware County, Ohio (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

As described in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis of accounting 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware County District Library, Delaware County, Ohio as of December 31, 2004, and the respective changes in the modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, 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 September 29, 2005, 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.

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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

September 29, 2005

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2004 are as follows:

The Library's general receipts are primarily Library and Local Support Fund (LLGSF) Revenues and Property Taxes. These receipts respectively represent 80.44 and 14.53 percent of the total cash received for Library operations during the year. LLGSF receipts changed very little for 2004 while property tax revenues decreased 13.49 percent based on amounts needed to fund debt service requirements.

Net assets decreased \$631,955 from 2003 primarily due to the undertaking of a major renovation project of the main library in 2004. The capital outlay costs for the Library in 2004 were \$773,442.

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.

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.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

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 Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with 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 indication 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 reliance on Library and Local Government Support Fund funding, the condition of the Library's capital assets, and the extent of the Library's debt obligations.

In the statement of net assets and the statement of activities, the assets and activity of the Library are presented as Governmental Activities. All of the Library's basic services are reported here.

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.

Governmental Funds — 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental funds are the General Fund and Debt Service Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The Library as a Whole

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

(Table 1)

Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$2,398,897	\$3,030,852
Total Assets	\$2,398,897	\$3,030,852
Net Assets		
Restricted for:		
Debt Service	62,163	60,100
Capital Outlay	149,057	166,007
Permanent Fund	51,090	51,279
Other Purposes	115,773	114,972
Unrestricted	2,020,814	2,638,494
Total Net Assets	\$2,398,897	\$3,030,852

As mentioned previously, net assets of governmental activities decreased \$631,955 or 20.9% during 2004. The primary reason contributing to the decrease in cash balances is due to the use of funds for a major renovation project of the main library.

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2004</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$26,862
Operating Grants and Contributions	52,689
Capital Grants and Contributions	5,484
Total Program Receipts	<u>85,035</u>
General Receipts:	
Library and Local Government Support Fund	2,049,072
Property and Other Local Taxes	370,040
Contributions Gifts and Donations	718
Earnings on Investments	27,715
Miscellaneous	14,485
Total General Receipts	<u>2,462,030</u>
Total Receipts	<u>2,547,065</u>
Disbursements:	
Salaries and Benefits	1,312,730
Supplies	68,111
Purchased & Contracted Services	230,155
Library Materials and Information	374,361
Other Objects	14,746
Capital Outlay	773,442
Debt Service	405,475
Total Disbursements	<u>3,179,020</u>
Increase (Decrease) in Net Assets	(631,955)
Net Assets, January 1, 2004	<u>3,030,852</u>
Net Assets, December 31, 2004	<u><u>\$2,398,897</u></u>

Program receipts represent only 3% of total receipts and are primarily composed of fees associated with Library Services and homestead and rollback receipts received for debt service.

LLGSF and property tax receipts respectively represent 80.44 and 14.53 percent of the Library's total receipts. All other receipts are very insignificant and somewhat unpredictable revenue sources.

Overall disbursements for the Library increased \$206,322 or 7% from 2003, which is primarily due to continuing expenditures of capital outlay to renovate the main library.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Governmental Activities

If you look at the Statement of Activities on page 10, 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 majority of program disbursements for Library Services are the costs for operating the Library, which account for 63 percent of all governmental disbursements. Capital Outlay also represents a significant cost, about 24 percent. 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 the money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	2004	2004
Library Services:		
Salaries and Benefits	1,312,730	1,312,730
Supplies	68,111	68,111
Purchased and Contracted Services	230,155	230,155
Library Materials and Information	374,361	332,764
Other	14,746	14,746
Capital Outlay	773,442	773,442
Debt Service:		
Principal Retirement	28,796	(14,642)
Interest and Fiscal Charges	376,679	376,679
Total Expenses	\$3,179,020	\$3,093,985

The dependence upon tax receipts and LLGSF is apparent as over 97 percent of governmental activities are supported through these general receipts.

The Library's Funds

Information about the Library's major Governmental Funds begins on page 11. All Governmental Funds had total revenue of \$2,574,065 and expenditures of \$3,179,020.

The General Fund's fund balance decreased by \$617,681. This was largely due to a major renovation project in 2003 and 2004. The Library began the year of 2004 with a cash balance of \$2,638,495. This leaves a balance of \$2,020,814 as of December 31, 2004.

The fund balance of the Debt Service Fund increased by a minimal amount of \$2,063 due to consistent revenue with the prior year at a rate almost equivalent to annual debt service requirements.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

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 2004, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were equivalent to original budgeted receipts due to little change in budgeted receipts.

Final disbursements were budgeted at \$3,377,609 while actual disbursements were \$2,872,465. The changes to appropriations throughout the fiscal year resulted in an increase in appropriations of \$333,525. The primary cause for the increase in appropriations was due to the additional appropriations of \$291,045 in Capital Outlay appropriations that were for the improvements made to the main library.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its limited amount of capital assets and does not have intent to do so.

Debt

As of December 31, 2004, the Library's outstanding debt included \$625,721 in general obligation bonds issued for construction of a main library and two branch libraries. For further information regarding the Library's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Governments 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 State funding. All departments have been asked to reduce their spending to compensate for the reduction in funding.

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 Phyllis Amato, Clerk-Treasurer, Delaware County District Library, 84 East Winter Street, Delaware, Ohio 43015.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

***Statement of Net Assets - Modified Cash Basis
December 31, 2004***

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,398,897</u>
<i>Total Assets</i>	<u><u>\$2,398,897</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$149,057
Debt Service	62,163
Permanent Fund Purpose	
Expendable	2,782
Nonexpendable	48,308
Other Purposes	115,773
Unrestricted	<u>2,020,814</u>
<i>Total Net Assets</i>	<u><u>\$2,398,897</u></u>

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Salaries and Benefits	1,312,730	0	0	0	(\$1,312,730)
Supplies	68,111	0	0	0	(68,111)
Purchased and Contracted Services	230,155	0	0	0	(230,155)
Library Materials and Information	374,361	26,862	9,251	5,484	(332,764)
Other Objects	14,746	0	0	0	(14,746)
Capital Outlay	773,442	0	0	0	(773,442)
Debt Service:					
Principal Retirement	28,796	0	43,438	0	14,642
Interest and Fiscal Charges	376,679	0	0	0	(376,679)
Total Governmental Activities	\$3,179,020	\$26,862	\$52,689	\$5,484	(3,093,985)
General Receipts					
Library and Local Government Support Fund (LLGSF)					2,049,072
Property Taxes Levied for Debt Service					370,040
Unrestricted Contributions, Gifts, and Donations					718
Earnings on Investments					27,715
Miscellaneous					14,485
Total General Receipts					2,462,030
Change in Net Assets					(631,955)
Net Assets Beginning of Year					3,030,852
Net Assets End of Year					\$2,398,897

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

***Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004***

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,020,814	\$62,163	\$315,920	\$2,398,897
<i>Total Assets</i>	<u>\$2,020,814</u>	<u>\$62,163</u>	<u>\$315,920</u>	<u>\$2,398,897</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$130,123			\$130,123
Unreserved:				
Undesignated, Reported in:				
General Fund	1,890,691			1,890,691
Special Revenue Funds			115,773	115,773
Debt Service Fund		62,163		62,163
Capital Projects Funds			149,057	149,057
Permanent Funds			51,090	51,090
<i>Total Fund Balances</i>	<u>\$2,020,814</u>	<u>\$62,163</u>	<u>\$315,920</u>	<u>\$2,398,897</u>

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

***Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004***

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Receipts				
Library and Local Government Support Fund	\$2,049,072	\$0	\$0	\$2,049,072
Property and Other Local Taxes	0	370,040	0	370,040
Intergovernmental	0	43,438	5,484	48,922
Patron Fines and Fees	26,862	0	0	26,862
Contributions, Gifts and Donations	9,969	0	0	9,969
Earnings on Investments	24,273	0	3,442	27,715
Miscellaneous	14,485	0	0	14,485
<i>Total Receipts</i>	<u>2,124,661</u>	<u>413,478</u>	<u>8,926</u>	<u>2,547,065</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	1,312,730	0	0	1,312,730
Supplies	68,111	0	0	68,111
Purchased and Contracted Services	224,215	5,940	0	230,155
Library Materials and Information	373,566	0	795	374,361
Other	14,746	0	0	14,746
Capital Outlay	748,974	0	24,468	773,442
Debt Service:				
Principal Retirement	0	28,796	0	28,796
Interest and Fiscal Charges	0	376,679	0	376,679
<i>Total Disbursements</i>	<u>2,742,342</u>	<u>411,415</u>	<u>25,263</u>	<u>3,179,020</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(617,681)	2,063	(16,337)	(631,955)
<i>Fund Balances Beginning of Year</i>	<u>2,638,495</u>	<u>60,100</u>	<u>332,257</u>	<u>3,030,852</u>
<i>Fund Balances End of Year</i>	<u>\$2,020,814</u>	<u>\$62,163</u>	<u>\$315,920</u>	<u>\$2,398,897</u>

See accompanying notes to the basic financial statements

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE 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) Variance with Final Budget Positive (Negative)
	Original	Final		Actual
Receipts				
Library and Local Government Support Fund	\$2,035,500	\$2,035,500	\$2,049,072	\$13,572
Patron Fines and Fees	20,000	20,000	26,862	6,862
Contributions, Gifts and Donations	6,000	6,000	9,969	3,969
Earnings on Investments	30,000	30,000	24,273	(5,727)
Miscellaneous	800	800	14,485	13,685
<i>Total receipts</i>	<u>2,092,300</u>	<u>2,092,300</u>	<u>2,124,661</u>	<u>32,361</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	1,400,045	1,407,495	1,312,754	94,741
Supplies	119,365	128,684	71,909	56,775
Purchased and Contracted Services	298,302	328,496	242,058	86,438
Library Materials and Information	491,620	526,266	458,029	68,237
Other	108,100	68,971	14,746	54,225
Capital Outlay	626,651	917,696	772,969	144,727
<i>Total Disbursements</i>	<u>3,044,083</u>	<u>3,377,608</u>	<u>2,872,465</u>	<u>505,143</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(951,783)	(1,285,308)	(747,804)	537,504
<i>Fund Balance Beginning of Year</i>	2,638,495	2,638,495	2,638,495	0
Prior Year Encumbrances Appropriated	<u>622,177</u>	<u>622,177</u>	<u>622,177</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,308,889</u>	<u>\$1,975,364</u>	<u>\$2,512,868</u>	<u>\$537,504</u>

See accompanying notes to the basic financial statements

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**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Delaware County District Library, Delaware County, Ohio, (the Library) as a body corporate and politic.

A 7-member Board governs the Library, which provides the community with various educational and literacy resources. Of the 7 Board members three are appointed by the Judge of the Court of Common Pleas and four are appointed by the Board of the County Commissioners. All Board members are qualified electors of the Library District. Each trustee serves a term of seven years. The officers of the Board are the president, vice president and secretary who are all elected and serve a term of one year.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards and agencies that are not legally separate from the Library. The Library has no other such organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented 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, 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. Following are the more significant of the Library's accounting policies.

A. Fund Accounting

The Library uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Library classifies each fund as governmental.

Governmental: The Library classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Library's major governmental funds:

General Fund: The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Debt Service Fund: The debt service fund accounts for resources the Library accumulates to pay a bond issue.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting (Continued)

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

B. Basis of Presentation

For the fiscal year 2004, 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*, for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America, and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to the beginning fund balances since the basis of accounting has not changed. The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library does not have any business type activities.

Governmental activities generally are financed through taxes, Library and Local Government Support, or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts of the Library's governmental type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program and charges for services. 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 draws from the Library's general receipts.

DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds 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 the major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Cash, Cash Equivalents and Investments

The Library deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents on the financial statements.

The Library values investments and cash equivalents at cost. For presentation on the financial statements, the Library classifies investments of the cash management pool as cash equivalents.

Following Ohio statutes, the Board of Trustees specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2004 were \$24,273, including \$3,826 assigned from other Library funds.

D. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

E. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

F. Compensated Absences

In certain circumstances, such as upon leaving employment, 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.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Long-term Obligations

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

H. Fund Balance Designations and Reserves

The Library reserves those portions of fund equity legally segregated for a specific future use or which are not available for appropriation or disbursement. The Library has reserved fund equity for encumbrances.

I. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The Library first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

J. Budgetary Data

Ohio law requires the Library to budget and appropriate all funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board of Trustees may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Trustees uses the fund function level within each fund as its legal level of control.

The certificate of estimated resources may be amended during the year if the Library projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

4. DEPOSITS AND INVESTMENTS

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments;
7. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes;
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific Library obligation or debt and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits At year-end, the carrying amount of the Library's deposits was \$1,718,897 and the bank balance was \$1,723,345. \$100,000 of the bank balance was covered by federal depository insurance and \$1,623,345 was uninsured and uncollateralized. Although the Library followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Library to a successful claim by the Federal Deposit Insurance Corporation.

Investments The table below categorizes investments to indicate the level of counterparty credit risk the Library assumed at year end. Category one includes investments insured or registered or for which Library or its agent holds the securities in the Library's name. Category two includes uninsured and unregistered investments for which the counterparty's trust department or an agent holds securities in the Library's name. Category three includes uninsured and unregistered investments for which the counterparty or its trust department or agent holds securities not in the Library's name.

	Category Three	Carrying and Fair Value
Repurchase Agreement	\$680,000	\$680,000

5. RISK MANAGEMENT

Property and Liability

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 fiscal year 2004, the Library contracted with Trimble Company for Property (Fire and Extended Coverage) and Boiler and Machinery coverage through Ohio Casualty Insurance Group.

General liability coverage including errors and omissions are through Trimble Company with West American Insurance Company carrying the policy with a \$1,000,000 claims made coverage and a \$2,000,000 umbrella.

Ohio Casualty Insurance Group covers vehicles and has a \$1,000 deductible for comprehensive and collision. This insurance includes a bodily injury and property damage combined single limit of \$1,000,000.

Settled claims have not exceeded this commercial coverage in any of the past ten years. There have been no significant reductions in insurance coverage from the prior year.

Health Care Benefits

The Library purchases commercial medical, dental, and vision coverage for all full time employees of the Library through a private carrier.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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% 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 financial report, obtainable by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$201,125, \$182,890, and \$171,696 respectively; 100 percent has been contributed for 2004, 2003, and 2002. No contributions were made to the member-directed plan.

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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 Ohio Revised Code Section 145. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

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 at the projected wage inflation rate plus an additional factor ranging between 1.00 to 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 \$59,396. 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.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**DELAWARE COUNTY DISTRICT LIBRARY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

8. CONTINGENCIES

Grants

The Library receives financial assistance from State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through December 31, 2004 will not have a material adverse effect on the Library.

9. LONG – TERM LIABILITIES

The changes in the Library’s long-term obligations during the year consist of the following:

	Principal Outstanding 1/1/04	Additions	Reductions	Principal Outstanding 12/31/04	Amounts Due in One Year
Governmental Activities					
1990 General Obligation Bonds	\$654,517	\$0	\$28,796	\$625,721	\$20,415

The 1990 General Obligation Refunding Bonds were issued to retire previous bonds that were issued for the construction of a main library in the City of Delaware, a branch library in the Village of Ostrander, and a branch library in the City of Powell.

Principal and interest requirements to retire long-term liabilities outstanding at December 31, 2004, are as follows:

Fiscal Year Ending December 31	General Obligation Bonds		Total
	Principal	Interest	
2005	\$20,415	\$345,060	\$365,475
2006	16,719	303,756	320,475
2007	13,587	291,888	305,475
2008	230,000	30,475	260,475
2009	195,000	18,285	213,285
2010 – 2014	150,000	7,950	157,950
Total	<u>\$625,721</u>	<u>\$997,414</u>	<u>\$1,623,135</u>

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Auditor of State Betty Montgomery

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

Delaware County District Library
Delaware County
84 E. Winter Street
Delaware, Ohio 43015

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 Delaware County District Library, Delaware County, Ohio, (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 29, 2005, wherein we noted 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*. 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 opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the Library's management dated September 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the Library's management dated September 29, 2005, we reported an other matter related to non-compliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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www.auditor.state.oh.us

Delaware County District Library
Delaware County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance committee, management, 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

September 29, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

DELAWARE COUNTY DISTRICT LIBRARY

DELAWARE 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 10, 2005**