



**Auditor of State
Betty Montgomery**

HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY

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**Auditor of State
Betty Montgomery**

Holmes County District Public Library
Holmes County
3102 Glen Drive
Millersburg, Ohio 44654

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 13, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Holmes County District Public Library
Holmes County
3102 Glen Drive
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of the Holmes County District Public Library, Holmes County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Holmes County District Public Library, Holmes County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As more fully discussed in Note 2, the Special Revenue Fund balance was restated as of January 1, 2005, due to the reclassification of the Expendable Trust Fund to a Special Revenue Fund.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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.



Betty Montgomery
Auditor of State

October 13, 2006

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Government Grants - In -Aid	\$1,283,138		\$450	\$1,283,588
Patron Fines and Fees	31,153			31,153
Earnings on Investments	4,056	\$36	24,687	28,779
Contributions, Gifts and Donations		4,724		4,724
Miscellaneous Receipts	729			729
	<u>1,319,076</u>	<u>4,760</u>	<u>25,137</u>	<u>1,348,973</u>
Total Cash Receipts				
	<u>1,319,076</u>	<u>4,760</u>	<u>25,137</u>	<u>1,348,973</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	775,680			775,680
Purchased and Contracted Services	171,936		35,005	206,941
Other Objects	229,591	3,168		232,759
Capital Outlay	4,028		20,310	24,338
	<u>1,181,235</u>	<u>3,168</u>	<u>55,315</u>	<u>1,239,718</u>
Total Cash Disbursements				
	<u>1,181,235</u>	<u>3,168</u>	<u>55,315</u>	<u>1,239,718</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>137,841</u>	<u>1,592</u>	<u>(30,178)</u>	<u>109,255</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			155,000	155,000
Transfer-Out	(155,000)			(155,000)
	<u>(155,000)</u>			<u>(155,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(155,000)</u>	<u>0</u>	<u>155,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(17,159)</u>	<u>1,592</u>	<u>124,822</u>	<u>109,255</u>
Fund Cash Balances, January 1 (Restated)	<u>244,955</u>	<u>4,112</u>	<u>893,280</u>	<u>1,142,347</u>
Fund Cash Balances, December 31	<u><u>\$227,796</u></u>	<u><u>\$5,704</u></u>	<u><u>\$1,018,102</u></u>	<u><u>\$1,251,602</u></u>
Reserves for Encumbrances, December 31	<u><u>\$12,274</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$12,274</u></u>

The notes to the financial statements are an integral part of this statement.

HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Government Grants - In -Aid	\$1,270,610				\$1,270,610
Patron Fines and Fees	26,684				26,684
Contribution, Gifts and Donations				\$2,665	2,665
Earnings on Investments	2,306		\$13,817	14	16,137
Miscellaneous Receipts	472				472
Total Cash Receipts	<u>1,300,072</u>		<u>13,817</u>	<u>2,679</u>	<u>1,316,568</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	839,564				839,564
Purchased and Contracted Services	179,456	\$150	35,147		214,753
Other Objects	228,342	134		898	229,374
Capital Outlay	19,350	4,418	31,179		54,947
Total Cash Disbursements	<u>1,266,712</u>	<u>4,702</u>	<u>66,326</u>	<u>898</u>	<u>1,338,638</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>33,360</u>	<u>(4,702)</u>	<u>(52,509)</u>	<u>1,781</u>	<u>(22,070)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		500			500
Transfer-Out	(500)				(500)
Total Other Financing Receipts/(Disbursements)	<u>(500)</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	32,860	(4,202)	(52,509)	1,781	(22,070)
Fund Cash Balances, January 1	<u>212,095</u>	<u>4,202</u>	<u>945,789</u>	<u>2,331</u>	<u>1,164,417</u>
Fund Cash Balances, December 31	<u>\$244,955</u>	<u>\$0</u>	<u>\$893,280</u>	<u>\$4,112</u>	<u>\$1,142,347</u>
Reserves for Encumbrances, December 31	<u>\$8,332</u>	<u>\$0</u>	<u>\$1,240</u>	<u>\$0</u>	<u>\$9,572</u>

The notes to the financial statements are an integral part of this statement.

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Holmes County District Public Library, Holmes County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees; four are appointed by the Holmes County Commissioners and three are appointed by the Holmes County Common Pleas Court Judge. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant special revenue funds:

Special Revenue Fund - In 2005, used to collect donations from the public for the purpose of buying various educational and library resources.

LSTA Innovative Technology Fund – In 2004, used to account for grant revenue received for the purpose of purchasing laptop computers and related equipment to provide instructional classes to the public.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Capital Improvements Fund - Used to collect donations from the public and expended for library construction projects.

Automated Library Systems Fund - Receives transfers from the General Fund and used mainly to upgrade the library computer systems.

4. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies its trust fund as expendable. The Library had the following significant fiduciary fund:

Expendable Trust Fund – In 2004, used to collect donations from the public for the purpose of buying various educational and literary resources.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT

The Library has elected early to implement Auditor of State Bulletin 2005-005 Required Fund Classifications for Non-GAAP Fliers. Accordingly as of January 1, 2005, the District has reclassified their Expendable Trust Fund to a Special Revenue Fund. As a result, January 1, 2005 fund balances have been restated as follows:

	Special Revenue	Expendable Trust
Previously Reported Fund Cash Balance, December 31, 2004	\$0	\$4,112
Donation Fund	4,112	(4,112)
Restated Fund Balance, January 1, 2005	\$4,112	\$0

3. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	2005	2004
Demand deposits	\$395,357	\$294,865
Certificates of deposit	815,246	807,649
Total deposits	1,210,603	1,102,514
STAR Ohio	40,999	39,833
Total deposits and investments	\$1,251,602	\$1,142,347

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

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

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,304,018	\$1,319,076	\$15,058
Special Revenue	2,525	4,760	2,235
Capital Projects	171,450	180,137	8,687
Total	\$1,477,993	\$1,503,973	\$25,980

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,548,988	\$1,348,509	\$200,479
Special Revenue	6,637	3,168	3,469
Capital Projects	324,434	55,315	269,119
Total	\$1,880,059	\$1,406,992	\$473,067

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,297,000	\$1,300,072	\$3,072
Special Revenue	500	500	0
Capital Projects	16,000	13,817	(2,183)
Fiduciary	4,025	2,679	(1,346)
Total	\$1,317,525	\$1,317,068	(\$457)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,509,095	\$1,275,544	\$233,551
Special Revenue	4,702	4,702	0
Capital Projects	284,887	67,566	217,321
Fiduciary	6,356	898	5,458
Total	\$1,805,040	\$1,348,710	\$456,330

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Library 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 of any additional revenues the Library receives.

6. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Commercial Insurance

The Holmes County District Library has obtained commercial insurance for the following risks:

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

There has been no reduction in coverage and claims have not exceeded coverage.

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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***

Holmes County District Public Library
Holmes County
3102 Glen Drive
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the financial statements of the Holmes County District Public Library, Holmes County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 13, 2006, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and we noted the Special Revenue Fund balance was restated as of January 1, 2005 due to reclassification of the Expendable Trust Fund to a Special Revenue Fund. We also noted 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. 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 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 October 13, 2006, 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*.

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



Betty Montgomery
Auditor of State

October 13, 2006



**Auditor of State
Betty Montgomery**

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HOLMES COUNTY DISTRICT PUBLIC LIBRARY

HOLMES 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 14, 2006**