

**WORTHINGTON SCHOOL DISTRICT
PUBLIC LIBRARY
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

**For The Year
Ended December 31, 2005**



Mary Taylor, CPA
Auditor of State

Board of Directors
Worthington Libraries
820 High Street
Worthington, Ohio 43085-4108

We have reviewed the Independent Auditor's Report of the Worthington Libraries, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 28, 2007

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Worthington School District Public Library
Franklin County
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INDEPENDENT AUDITOR'S REPORT

Worthington School District Public Library
Franklin County
820 High Street
Worthington, Ohio 43085

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 Worthington School District Public Library, Franklin County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

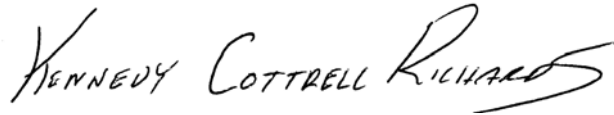
As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Worthington School District Public Library, Franklin County, Ohio, as of December 31 2005, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 1 describes.

Worthington School District Public Library
Franklin County
Independent Auditor's Report
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered 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 "KENNEDY COTTRELL RICHARDS". The signature is written in a cursive style with all capital letters.

Kennedy Cottrell Richards
Columbus, Ohio

March 16, 2007

Worthington School District Public Library

Franklin County

Management's Discussion and Analysis

For the Year Ended December 31, 2005

This discussion and analysis of the Worthington School District Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, 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.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The Library's net assets decreased by \$127,967 or 3.1 percent.
- General receipts represent \$5,678,776 or 85 percent of the Library's total receipts, and of this amount, over 97 percent are property and other local taxes, and other government grants-in-aid. Other receipts are very insignificant and somewhat unpredictable revenue sources.
- Program specific receipts in the form of charges for services and operating grants and contributions represent \$1,035,591 or 15 percent of total receipts and are primarily comprised of the Columbus Metropolitan Library's contribution for services provided to Columbus residents and patron fines and fees.
- The Library has two major funds: the General Fund and the Building Fund. The General Fund had \$6,510,414 in receipts and \$6,367,581 in disbursements. An additional \$226,000 in transfers-out resulted in a decrease in fund balance of \$83,167. The Building Fund received no fund transfers from the General Fund and had \$34,296 in disbursements, which were for the hiring of an architectural firm for the development of a comprehensive System-wide Facilities Plan and attorney fees.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Government 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.

Worthington School District Public Library

Franklin County

Management's Discussion and Analysis

For the Year Ended December 31, 2005

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

Basis of Accounting

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

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

Reporting the Library as a Whole

Statement of Net Assets and the Statement of Activities – Modified Cash Basis

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, 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 program receipts identifies how each governmental function draws from the Library's general receipts.

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

The statement of net assets and the statement of activities are comprised of governmental activities only.

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Management's Discussion and Analysis

For the Year Ended December 31, 2005

Governmental activities: Property and other local taxes and government grants-in-aid 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

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 classified as governmental.

Governmental Funds

Governmental Funds - All of the Library's activities are reported in the 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 two major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are identical 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 2005 on a modified cash basis:

Table 1
Net Assets

	2004	2005
Assets		
Cash and Cash Equivalents	\$4,088,132	\$3,960,165
Net Assets		
Restricted	\$1,124,609	\$1,079,809
Unrestricted	2,963,132	2,880,356
Total Net Assets	\$4,088,132	\$3,960,165

Worthington School District Public Library

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Management's Discussion and Analysis

For the Year Ended December 31, 2005

As mentioned previously, net assets of governmental activities decreased \$127,967 or 3.1 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- \$211,435 in disbursements for the Technology Fund during 2005 that had no receipt source to support them other than the transfer from the General Fund to the Technology Fund.
- \$25,409 in disbursements from the Termination Benefits/27th Pay Fund with no receipt source to offset it.
- \$34,296 in disbursements from the Building Fund with no receipt source to offset it.

Table 2 reflects the changes in net assets in 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of the government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Table 2
Changes in Net Assets

	<u>2005</u>
Receipts:	
Program Cash Receipts:	
Charges for Services	\$1,008,638
Operating Grants and Contributions	26,953
<i>Total Program Cash Receipts</i>	<u>1,035,591</u>
General Receipts:	
Property and Other Local Taxes	2,627,867
Other Government Grants-in-Aid	2,912,635
Unrestricted Gifts and Contributions	1,813
Earnings on Investments	133,233
Miscellaneous	3,228
<i>Total General Receipts</i>	<u>5,678,776</u>
<i>Total Receipts</i>	<u>6,714,367</u>

(continued)

Worthington School District Public Library
Franklin County
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Table 2
 Changes in Net Assets (continued)

	2005
Cash Disbursements:	
Library Services:	
Public Service and Programs	\$3,349,879
Collection Development and Processing	1,732,975
Support Services:	
Facilities Operations and Maintenance	89,357
Information Services Support	237,140
Business Administration	1,012,332
Capital Outlay	243,991
Debt Service	176,660
<i>Total Disbursements</i>	6,842,334
 <i>Decrease in Net Assets</i>	 (127,967)
 <i>Net Assets at Beginning of Year</i>	 4,088,132
<i>Net Assets at End of Year</i>	\$3,960,165

The Library's general receipts are primarily property and other local taxes and other government grants-in-aid. These receipts represent respectively 39 and 43 percent of the total cash received for the Library's activities during the year.

The Library received two LSTA Training and Continuing Education grants totaling \$26,953. The Continuing Education grant was used to produce printed materials and provide speakers. The other grant was used to produce printed materials, purchase recorded books, purchase furniture and hire temporary contract labor in an effort to provide better services to the disabled and inform staff about the unique requirement of providing services to patrons with disabilities. Both grants helped to provide services that would not been available without them.

Worthington School District Public Library

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Management's Discussion and Analysis

For the Year Ended December 31, 2005

Governmental Activities

If you look at the statement of activities on page 11, 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 public services and programs, which account for 49 percent of all governmental disbursements. The next two columns of the statement entitled Program Cash Receipts identify amounts of receipts that are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net Receipts (Disbursements) 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 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 2005	Net Cost of Services 2005
Library Services:		
Public Service and Programs	\$3,349,879	\$2,320,323
Collection Development and Processing	1,732,975	1,730,125
Support Services:		
Facilities Operations and Maintenance	89,357	89,357
Information Services Support	237,140	237,140
Business Administration	1,012,332	1,012,332
Capital Outlay	243,991	240,806
Debt Service:		
Principal Retirement	110,000	110,000
Interest and Fiscal Charges	66,660	66,660
<i>Total Expenses</i>	<u>\$6,842,334</u>	<u>\$5,806,743</u>

The dependence upon property and other local taxes and other government grants-in-aid receipts is apparent as over 85 percent of governmental activities are supported through these general receipts.

Worthington School District Public Library

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Management's Discussion and Analysis

For the Year Ended December 31, 2005

The Library's Funds

Information about the Library's major funds starts on page 12. These funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$6,714,367 and disbursements of \$6,842,334. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$83,167 as the result of transfers made to supplement the operations of other funds' activities.

It was the recommendation of the Library Board and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers, until necessary. Despite cuts in State funding and reduced property tax, the Library has worked to maintain a balanced operating budget and operate within anticipated revenue. The Library Board made the conscious decision to deal with State funding cuts internally, without reducing hours, cutting services or eliminating programs. This was done by reducing staff and scrutinizing all other disbursements. Even with such careful stewardship, the Library was using cash reserves to make up the difference between annual receipt and disbursements. Because the Library needed additional operating receipts to simply maintain the existing level and quality of service, the Library Board placed an operating levy on the November 2005 ballot. The levy passed and the Library will begin receiving funds from it in 2006.

The Building Fund received no fund transfers from the General Fund or other receipts, and had \$34,296 in disbursements, which was for the hiring of an architectural firm for the development of a comprehensive System-wide Facilities Plan and for attorney fees. The Building Fund had an unexpended balance of \$742,550 at the end of 2005.

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.

Actual receipts were slightly below final budgeted receipts. The difference between final budgeted receipts and actual receipts was (\$22,226).

Final disbursements were budgeted at \$7,255,353 while actual disbursements were \$6,652,809. The Library kept spending below budgeted amounts as demonstrated by the variances reported. The result is the decrease in fund balance of only \$368,395 for 2005.

Worthington School District Public Library

Franklin County

Management's Discussion and Analysis

For the Year Ended December 31, 2005

Capital Assets and Debt Administration

Capital Assets

The Library keeps track of its capital assets and infrastructure through an inventory. The Library uses a software package to accomplish this task and is in the process of updating the information. The inventory listing is expected to be completely updated during 2006.

Debt

At December 31, 2005, the Library's outstanding debt included \$990,000 in a lease purchase agreement. For further information regarding the Library's debt, refer to Notes 11 and 12 in the basic financial statements.

Current Issues

The challenge for all Ohio libraries is to provide quality services to the public while staying within the restrictions imposed by frozen State funding. The Library relies heavily on property and other taxes and other government grants-in-aid which will account for approximately two-thirds of our revenue in 2006, since the Library passed an additional 2.6 mill continuing levy in November 2005. Even though the Library has stable funding for the foreseeable future, it is dependent on funding from the State to remain in this position. The Library also tracks potential grants that can be applied for that enable it to provide services that would not be delivered without that source of funding.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Meribah Mansfield, Clerk-Treasurer, Worthington Libraries, 820 High Street, Worthington, OH 43085.

Worthington School District Public Library
Franklin County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,960,165
Net Assets:	
Restricted for:	
Debt Service	22,535
Capital Projects	1,005,654
Other Purposes	51,620
Unrestricted	2,880,356
<i>Total Net Assets</i>	<i>\$3,960,165</i>

See accompanying notes to the basic financial statements

Worthington School District Public Library

Franklin County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
Governmental Activities:				
Library Services:				
Public Service and Programs	\$3,349,879	\$1,008,638	\$20,918	(\$2,320,323)
Collection Development and Processing	1,732,975	0	2,850	(1,730,125)
Support Services:				
Facilities Operations and Maintenance	89,357	0	0	(89,357)
Information Services Support	237,140	0	0	(237,140)
Business Administration	1,012,332	0	0	(1,012,332)
Capital Outlay	243,991	0	3,185	(240,806)
Debt Service:				
Principal Retirement	110,000	0	0	(110,000)
Interest and Fiscal Charges	66,660	0	0	(66,660)
<i>Total Governmental Activities</i>	<u>\$6,842,334</u>	<u>\$1,008,638</u>	<u>\$26,953</u>	<u>(\$5,806,743)</u>

General Receipts:

Property and Other Local Taxes	2,627,867
Other Government Grants-in-Aid	2,912,635
Unrestricted Gifts and Contributions	1,813
Earnings on Investments	133,233
Miscellaneous	3,228
	<u>5,678,776</u>

Total General Receipts 5,678,776

Change in Net Assets (127,967)

Net Assets Beginning of Year 4,088,132

Net Assets End of Year \$3,960,165

See accompanying notes to the basic financial statements

Worthington School District Public Library
Franklin County
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2005

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,880,356	\$742,550	\$337,259	\$3,960,165
Fund Balances:				
Reserved for Encumbrances	\$285,228	\$0	\$1,172	\$286,400
Unreserved:				
General Fund	2,595,128	0	0	2,595,128
Special Revenue Funds	0	0	51,620	51,620
Debt Service Fund	0	0	22,535	22,535
Capital Projects Fund	0	742,550	261,932	1,004,482
<i>Total Fund Balances</i>	<u>\$2,880,356</u>	<u>\$742,550</u>	<u>\$337,259</u>	<u>\$3,960,165</u>

See accompanying notes to the basic financial statements

Worthington School District Public Library

Franklin County

Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Year Ended December 31, 2005

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$2,627,867	\$0	\$0	\$2,627,867
Other Government Grants-in-Aid	2,735,635	0	203,953	2,939,588
Patron Fines and Fees	280,848	0	0	280,848
Services Provided to Other Entities	727,790	0	0	727,790
Contributions, Gifts, and Donations	1,813	0	0	1,813
Earnings on Investments	133,233	0	0	133,233
Miscellaneous	3,228	0	0	3,228
<i>Total Receipts</i>	<u>6,510,414</u>	<u>0</u>	<u>203,953</u>	<u>6,714,367</u>
Disbursements:				
Current:				
Library Services:				
Public Service and Programs	3,328,960	0	20,919	3,349,879
Collection Development and Processing	1,730,125	0	2,850	1,732,975
Support Services:				
Facilities Operations and Maintenance	55,061	34,296	0	89,357
Information Services Support	223,597	0	13,543	237,140
Business Administration	986,924	0	25,408	1,012,332
Capital Outlay	42,914	0	201,077	243,991
Debt Service:				
Principal Retirement	0	0	110,000	110,000
Interest and Fiscal Charges	0	0	66,660	66,660
<i>Total Disbursements</i>	<u>6,367,581</u>	<u>34,296</u>	<u>440,457</u>	<u>6,842,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>142,833</u>	<u>(34,296)</u>	<u>(236,504)</u>	<u>(127,967)</u>
Other Financing Sources (Uses)				
Transfers - In	0	0	226,000	226,000
Transfers - Out	(226,000)	0	0	(226,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(226,000)</u>	<u>0</u>	<u>226,000</u>	<u>452,000</u>
<i>Net Change in Fund Balances</i>	(83,167)	(34,296)	(10,504)	(127,967)
<i>Fund Balances at Beginning of Year</i>	2,963,523	776,846	347,763	4,088,132
<i>Fund Balances at End of Year</i>	<u>\$2,880,356</u>	<u>\$742,550</u>	<u>\$337,259</u>	<u>\$3,960,165</u>

See accompanying notes to the basic financial statements

Worthington School District Public Library
Franklin County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property and Other Local Taxes	\$2,914,072	\$2,914,072	\$2,627,867	(\$286,205)
Other Government Grants-in-Aid	2,560,778	2,560,778	2,735,635	174,857
Patron Fines and Fees	280,000	280,000	280,848	848
Services Provided to Other Entities	727,790	727,790	727,790	0
Contributions, Gifts, and Donations	0	0	1,813	1,813
Earnings on Investments	50,000	50,000	133,233	83,233
Miscellaneous	0	0	3,228	3,228
<i>Total Receipts</i>	6,532,640	6,532,640	6,510,414	(22,226)
Disbursements:				
Current:				
Library Services:				
Salaries and Benefits	4,181,830	4,181,830	4,021,557	160,273
Supplies	118,105	118,105	103,315	14,790
Purchased and Contracted Services	1,105,816	1,120,816	1,010,139	110,677
Library Materials and Information	1,503,598	1,503,598	1,462,312	41,286
Other	13,326	13,326	11,158	2,168
Capital Outlay	182,678	182,678	44,328	138,350
Contingency	150,000	135,000	0	135,000
<i>Total Disbursements</i>	7,255,353	7,255,353	6,652,809	602,544
<i>Excess of Receipts Under Disbursements</i>	(722,713)	(722,713)	(142,395)	(580,318)
OTHER FINANCING USES				
Transfers-Out	(226,000)	(226,000)	(226,000)	0
<i>Net Change in Fund Balances</i>	(948,713)	(948,713)	(368,395)	(580,318)
<i>Prior Year Encumbrances Appropriated</i>	357,532	357,532	357,532	0
<i>Fund Balance at Beginning of Year</i>	2,605,991	2,605,991	2,605,991	0
<i>Fund Balance at End of Year</i>	\$2,014,810	\$2,014,810	\$2,595,128	(\$580,318)

See accompanying notes to the basic financial statements

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Worthington School District Public Library, Franklin County, Ohio (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven member Board of Trustees appointed by the Worthington City School District Board of Education. The Library provides the community with various educational and literary resources.

The Library is fiscally independent of the Worthington School District 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 and the role and purpose(s) of the levy are discretionary decisions made solely by the Board of 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.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Worthington City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Worthington School District Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

Basis Of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library, however, has no activities which are reported as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts 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 for each function or program of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Building Fund: This fund is used to record expenditures related to building projects, including the improvements to the Library and construction of new and future facilities.

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

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

As stated earlier, the Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Library are presented on the financial statements as cash and cash equivalents.

During 2005, the Library's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

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 2005 was \$133,233, including \$31,680 assigned from other Library funds.

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts legally restricted or donor designated for specific purposes such as purchasing library materials or supporting library programs. The Library's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$1,079,809 of restricted net assets, of which none is restricted by enabling legislation.

Fund Balance Reserves

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

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Inventories 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.

Capital Assets

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

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accumulated Leave

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

Budgetary Data

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and 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 appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual (budget basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis represents outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Change in Fund Balance

Modified Cash Basis	(\$83,167)
Adjustment for Encumbrances	(285,228)
Budget Basis	<u><u>(\$368,395)</u></u>

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$218,379 of the Library's bank balance of \$318,379 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

Investments

As of December 31, 2005, the Library's only investment was in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$3,825,744</u>	Average 33 Days

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

The Library's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the Library. The Library's policy also states that, to the extent possible and prudent, the Library will attempt to match its investment maturities with anticipated cash flow requirements.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Worthington City School District. Property tax receipts received during 2005 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 5 – PROPERTY TAXES (continued)

The full tax rate for all Library operations for the year ended December 31, 2005, was \$2.20 per \$1,000 of assessed value. The assessed values of real property, tangible personal property, and public utility property, and upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$1,752,138,270
Tangible Personal Property	132,307,380
Public Utility Property	53,978,640
Totals	<u>\$1,938,424,290</u>

NOTE 6 – GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

NOTE 7 – RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks: Comprehensive property and general liability, valuable papers and records, vehicles, errors and omissions, and employee benefits.

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 2005, the Library contracted with Lauterbach & Eilber Company through Indiana Insurance Company for Property (Fire and Extended Coverage) and Boiler and Machinery coverage.

General liability coverage is through Lauterbach & Eilber Company with Indiana Insurance Company carrying the policy with \$1,000,000 claims coverage and a \$1,000,000 umbrella.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 7 – RISK MANAGEMENT (continued)

Indiana Insurance Company covers vehicles and has a \$100 deductible for comprehensive and a \$250 deductible for collision. This insurance includes a bodily injury and property damage combined single limit of \$1,000,000 with a \$1,000,000 umbrella, \$1,000,000 uninsured/underinsured motorist, and \$5,000 medical payments.

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.

Directors and Officers

An errors and omissions insurance policy through the Cincinnati Insurance Company is carried, providing \$1,000,000 limit per loss, \$1,000,000 aggregate for each policy period, \$5,000 deductible. Claims are paid on a claims made basis, retroactive to May 1, 1996.

NOTE 8 – 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 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions, plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 8 – DEFINED BENEFIT PENSION PLANS (continued)

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. 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, 2005, 2004, and 2003, were \$457,383, \$432,182, and \$431,662, respectively; 100 percent has been contributed for 2005, 2004, and 2003. No contributions were made to the member directed plan.

NOTE 9 – 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 benefit recipients and qualified survivor benefit 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 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 from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. 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.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Library contributions for 2005 which were used to fund postemployment benefits were \$191,574. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 10 -EMPLOYEE BENEFITS

The Library also provides health, dental and vision coverage to full-time employees through a private carrier.

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior years, the Library entered into a lease-purchase agreement in the amount of \$2,225,000 to construct and operate a library facility (Northwest Library – NWL), containing approximately 23,000 square feet of public service space, at a location which will serve both the Worthington Library and the Columbus Metropolitan Library (CML) districts. The Library is leasing the building from the City of Columbus. The City of Columbus will retain title to the building during the lease term. Principal payments made during 2005 totaled \$110,000 in the Other Governmental Funds. The principal amount owed on the lease at fiscal year-end is \$990,000.

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2005.

<u>Year</u>	<u>Long-Term Obligations</u>
2006	\$170,445
2007	164,120
2008	157,355
2009	150,590
2010	143,825
2011 - 2014	<u>507,650</u>
Total minimum lease payments	1,293,985
Less: amount representing interest and charges	<u>(303,985)</u>
Present value of minimum lease payments	<u><u>\$990,000</u></u>

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the Library's long-term obligations during 2005 were as follows:

	<u>Amount Outstanding 12/31/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 12/31/2005</u>	<u>Amounts Due in One Year</u>
Capital Lease	<u>\$1,100,000</u>	<u>\$0</u>	<u>\$110,000</u>	<u>\$990,000</u>	<u>\$110,000</u>

The capital lease will be paid from Other Governmental Funds.

NOTE 13 – INTERFUND TRANSFERS

Interfund transfers at December 31, 2005 were as follows:

	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$0	\$226,000
Other Governmental Funds	<u>226,000</u>	<u>0</u>
Total Transfers	<u><u>\$226,000</u></u>	<u><u>\$226,000</u></u>

Worthington School District Public Library

Franklin County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2005

NOTE 13 – INTERFUND TRANSFERS (continued)

The Library transferred cash to the Termination Benefits Special Revenue Fund to cover salary and benefit payments for long-term employees who leave and receive lump sum sick leave and vacation payments and to accumulate funds to cover a twenty-seventh pay period which will occur again in 2009. Cash was transferred to the Technology Capital Projects Fund for the purchase of hardware and software for a Print Management/PC Reservation System, hardware and start-up costs for a new Integrated Library System, and six new Self-Check Out Machines.

NOTE 14 – 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, 2005 will not have a material adverse effect on the Library.

Litigation

The Library is not currently a defendant in any legal case.

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

Worthington School District Public Library
Franklin County
820 High Street
Worthington, Ohio 43085

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 Worthington School District Public Library, Franklin County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management and the Board of Trustees. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "KENNEDY COTTRELL RICHARDS". The signature is written in a cursive style with all capital letters.

Kennedy Cottrell Richards
Columbus, Ohio

March 16, 2007



Mary Taylor, CPA
Auditor of State

WORTHINGTON LIBRARIES

FRANKLIN 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
JULY 12, 2007**