

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Loudonville Public Library
122 East Main Street
Loudonville, Ohio 44842

We have reviewed the *Independent Accountants' Report* of Loudonville Public Library, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2005 through December 31, 2006. 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. Loudonville Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 12, 2008

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**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

REGULAR AUDIT

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT

Loudonville Public Library
Ashland County
122 East Main Street
Loudonville , Ohio 44842

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and major fund of Loudonville Public Library, Ashland County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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 opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and major fund of the Loudonville Public Library, Ashland County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2006 and 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

KNOX & KNOX

Orrville, Ohio
March 24, 2008

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED**

This discussion and analysis of Loudonville Public Library's financial performance provides an overall review of the Library's financial activities for the fiscal years ended December 31, 2006 and 2005, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

HIGHLIGHTS

Key highlights for 2006 are as follows:

- Net assets decreased \$11,427 or approximately 2.69% during 2006.
- General Receipts accounted for \$721,307 or over 92 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$58,479 or over 7% of total receipts
- The Library had \$791,213 in disbursements relating to governmental activities; only \$58,479 or approximately 7.4% of these expenses were offset by program specific charges for services, operating grants or contributions.
- The Library received a grant in the amount of \$30,000 for the purchase of library materials and equipment.
- The fund most affected by the decrease in cash and cash equivalents was the Permanent Improvement Fund.

Key highlights for 2005 are as follows:

- Net assets decreased \$146,528 or approximately 26% during 2005.
- General Receipts accounted for \$707,204 or over 91 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$61,953 or over 8% of total receipts
- The Library had \$915,685 in disbursements relating to governmental activities; only \$61,953 or approximately 6.7% of these expenses were offset by program specific charges for services, operating grants or contributions.
- The Library received a grant in the amount of \$34,545 for the purchase of library materials and equipment.
- The fund most affected by the decrease in cash and cash equivalents was the General Fund.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED**

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Library as a financial whole or as an entire operating entity. The statements provide a detailed look at the Library's specific financial activities.

Report Components

The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis provide information about the cash activities of the Library as a whole, presenting an aggregate view of the Library's finances.

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

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

Basis of Accounting

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

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

REPORTING THE LIBRARY AS A WHOLE

The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis reflect how the Library did financially during 2006 and 2005, within the limitations of cash basis accounting. The Statement of Net Assets-Cash Basis presents the cash balances and investments of the governmental activities of the Library at year end. Statement of Activities-Cash Basis 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.

**LOUDONVILLE PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
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These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. When evaluating the Library's financial condition, one should also consider other non-financial factors as well, such as the condition of the Library's capital assets, (land, buildings, equipment, etc.), the infrastructure including personnel turnover, the extend of the Library's debt obligations, the reliance on non-local financial resources for operations and the need from continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, we divide the Library into one type of activity:

Governmental activities. All of the Library's programs and basic services are reported here, including general public library services, purchased, and contracted services, library materials and information, capital outlay, and debt service. These services are primarily funded by intergovernmental receipts.

The Statement of Net Assets-Cash Basis and the Statement of Activities-Cash Basis provide information about the activities of the Library as a whole.

REPORTING THE LIBRARY'S MOST SIGNIFICANT FUNDS

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

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a single column. The Library's major governmental funds are the General Fund, Building and Repair Fund, and Permanent Improvement Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
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THE LIBRARY AS A WHOLE

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 and 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	2004
ASSETS			
Equity in Pooled Cash and Cash Equivalents	\$69,309	\$95,550	\$128,299
Investments	344,603	329,789	443,568
Total Assets	\$413,912	\$425,339	\$571,867
NET ASSETS			
Restricted	\$201,744	\$231,632	\$227,739
Unrestricted	212,168	193,707	344,128
Total Assets	\$413,912	\$425,339	\$571,867

As previously mentioned in 2006, net assets of governmental activities decreased \$11,427 or approximately 2.69 percent. The moderate decrease can be attributed to several factors including the continued frozen status of the Library and Local Governmental Support Fund (LLGSF), increasing retirement and health care costs which forces pressure on the Library's budget to provide or perform services with fewer resources.

Total assets, during 2005, decreased \$146,528 or approximately 25.62 percent. One factor attributing to this decrease is the result of a large principal reduction payment made in late 2005. The principal reduction payment and subsequent loan re-amortization, reduced the required principal and interest quarterly payments in excess of \$25,000 per year

**LOUDONVILLE PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED**

Table 2 reflects the changes in nets assets for years ended December 31, 2006, December 31, 2005 and December 31, 2004.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
RECEIPTS:			
Program Cash Receipts:			
Charges for Services	\$16,259	\$14,730	\$18,282
Operating Grants & Contributions	<u>42,220</u>	<u>47,223</u>	<u>31,294</u>
Total Program Cash Receipts	<u>58,479</u>	<u>61,953</u>	<u>49,576</u>
GENERAL RECEIPTS:			
Government Grants-in-Aid, LLGSF	693,771	693,771	689,989
Property and Other Local Taxes	7,062	876	1,477
Interest	15,850	11,499	4,738
Miscellaneous Receipts	<u>4,624</u>	<u>1,058</u>	<u>1,310</u>
Total General Receipts	<u>721,307</u>	<u>707,204</u>	<u>697,514</u>
Total Receipts	<u>779,786</u>	<u>769,157</u>	<u>747,090</u>
DISBURSEMENTS:			
Public Services:			
General Public Services	461,110	445,228	405,513
Purchased and Contracted Services	126,815	130,703	135,183
Library Materials and Information	92,597	76,688	78,570
Capital Outlay	30,794	32,630	18,405
Debt Service:			
Principal Retirement	68,613	207,615	30,820
Interest and Fiscal Charges	<u>11,284</u>	<u>22,822</u>	<u>24,617</u>
Total Disbursements	<u>791,213</u>	<u>915,686</u>	<u>693,108</u>
CHANGE IN NET ASSETS	<u>(\$11,427)</u>	<u>(\$146,529)</u>	<u>\$53,982</u>

In 2006, general receipts represent over 92 percent of the Library's overall receipts, in 2005 general receipts represented almost 92 percent of the Library's total receipts. Of general receipts in both 2006 and 2005 these were made up almost entirely by the Library and Local Government Support Fund monies. Since these revenues are provided by the State, it can be seen how any decreases in this funding source have a substantial impact on the services the Library can provide.

**LOUDONVILLE PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Total Disbursements during 2006 and 2005 were elevated due to the principal reductions of \$170,000 in 2005 and \$50,000 during 2006; in addition to the normal loan payments. Principal payments over the years have reduced the required annual payments to less than \$22,000 per year compared to the original annual payments which were in excess of \$121,000 for the new library addition which began construction during 1999 and was completed during 2001. Reducing the loan obligation makes more funds available to provide additional public services.

The Statement of Activities-Cash Basis shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by unrestricted government grants-in-aid, LLGSF.

(TABLE 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006
<hr/>		
PUBLIC SERVICES		
General Public Services	\$461,110	\$437,131
Purchased and Contracted Services	126,815	122,315
Library Materials and Information	92,597	73,857
Capital Outlay	30,794	19,534
Debt Service	<u>79,897</u>	<u>79,897</u>
Total Disbursements	<u><u>\$791,213</u></u>	<u><u>\$732,734</u></u>
	Total Cost of Services 2005	Net Cost of Services 2005
<hr/>		
PUBLIC SERVICES		
General Public Services	\$445,227	\$418,154
Purchased and Contracted Services	130,703	130,703
Library Materials and Information	76,688	53,353
Capital Outlay	32,630	21,085
Debt Service	<u>230,437</u>	<u>230,437</u>
Total Disbursements	<u><u>\$915,685</u></u>	<u><u>\$853,732</u></u>

**LOUDONVILLE PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
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	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
PUBLIC SERVICES		
General Public Services	\$405,513	\$374,137
Purchased and Contracted Services	135,183	135,183
Library Materials and Information	78,570	63,570
Capital Outlay	18,405	15,152
Debt Service	<u>55,437</u>	<u>55,437</u>
Total Disbursements	<u>\$693,108</u>	<u>\$643,479</u>

Governmental Fund Financial Statements

The Library's governmental fund financial statements are accounted for using the cash basis of accounting. The Library's major governmental funds are the General Fund, the Building and Repair Fund, and the Permanent Improvement Fund. A review of these funds reflects the General Fund balance increased slightly by \$18,431, while the Building and Repair Fund increased less than \$100 and while the Permanent Improvement Fund decreased by \$29,897 during 2006. The reduction in Permanent Improvement Fund reflects the library's regularly scheduled principal and interest payments on the loan from the building addition.

In comparison to 2005, the General Fund balance decreased \$150,421 and the Building and Repair Fund reflected a decrease of \$7,035. The Permanent Improvement Fund reflected no activity from its original transfer of \$175,000 from the General Fund. The change in the Building and Repair Fund reflects the lack of on-going donations and revenues, since the building project was completed in 2001. Once again, the decrease in the General Fund balance is largely attributed to a significant principal payment in late 2005.

GENERAL FUND BUDGETING HIGHLIGHTS

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

During 2006 and 2005, the Library amended its General Fund budgeted appropriations to reflect changing circumstances. The budgetary statement reflects both the original and final amounts appropriated.

CURRENT ISSUES

Although funding from the State of Ohio for the Library and Local Government Support Fund has been stagnant in 2006 and 2005, the Library's circulation and use continues to grow. And, it is expected to continue increasing during economic hard times as our patrons rely more on free services. The library will be challenged to provide quality services and programs due to the careful financial planning and prudent fiscal management in order to provide services needed and balance the budget annually.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED**

CONTACTING THE LIBRARY'S 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 Susan L. Burwell, Clerk-Treasurer, Loudonville Public Library, 122 East Main Street, Loudonville , Ohio 44842.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$69,309
Investments	<u>344,603</u>
 Total Assets	 <u><u>\$413,912</u></u>
 NET ASSETS	
Restricted for:	
Capital Projects	\$162,457
Debt Service	
Other Purposes	39,317
Unrestricted	<u>212,138</u>
 Total Net Assets	 <u><u>\$413,912</u></u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR YEAR ENDED DECEMBER 31, 2006**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Receipts</u>		<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes</u> <u>in Net Assets</u>
		<u>Charges</u> <u>for Service</u> <u>and Sales</u>	<u>Operating</u> <u>Grants &</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
GOVERNMENTAL ACTIVITIES				
Public Services:				
General Public Services and Programs	\$461,110	\$16,259	\$7,720	(\$437,131)
Purchased and Contracted Services	126,815		4,500	(122,315)
Library Materials and Information	92,597		18,740	(73,857)
Capital Outlay	30,794		11,260	(19,534)
Debt Service				
Principal Retirement	68,613			(68,613)
Interest and Fiscal Charges	11,284			(11,284)
 Total Governmental Activities	 <u>\$791,213</u>	 <u>\$16,259</u>	 <u>\$42,220</u>	 <u>(732,734)</u>
 GENERAL RECEIPTS:				
				693,771
Government Grants in Aid - LLGSF				7,062
Property and Other Local Taxes				15,850
Earnings on Investments				4,624
Miscellaneous				<u>4,624</u>
 Total General Receipts				 721,307
 Change in Net Assets				 (11,427)
 Net Assets, January 1				 <u>425,339</u>
 NET ASSETS, DECEMBER 31				 <u><u>\$413,912</u></u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Building & Repair Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$12,638	\$17,354		\$39,317	\$69,309
Investments	199,500		\$145,103		344,603
	<u>\$212,138</u>	<u>\$17,354</u>	<u>\$145,103</u>	<u>\$39,317</u>	<u>\$413,912</u>
FUND BALANCES					
Reserved:					
Reserved for Encumbrances	\$149,519			\$1,963	\$151,482
Unreserved:					
General Fund	62,619				62,619
Special Revenue Funds				32,125	32,125
Capital Projects Funds		\$17,354	\$145,103		162,457
Permanent Funds				5,229	5,229
	<u>\$212,138</u>	<u>\$17,354</u>	<u>\$145,103</u>	<u>\$39,317</u>	<u>\$413,912</u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCES, GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Building & Repair Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS:					
Property and Other Local Taxes	\$7,062				\$7,062
Intergovernmental	693,771				693,771
Patron Fines and Fees	16,259				16,259
Contributions, Gifts, and Donations	2,206			\$40,014	42,220
Earnings on Investments	15,643	\$51		156	15,850
Miscellaneous	4,624				4,624
	<u>739,565</u>	<u>51</u>	<u></u>	<u>40,170</u>	<u>779,786</u>
DISBURSEMENTS:					
Current:					
Public Services:					
General Public Service and Programs	460,840			270	461,110
Purchased and Contracted Services	124,287			2,528	126,815
Library Materials and Information	68,525			24,072	92,597
Capital Outlay	17,482			13,312	30,794
Debt Service:					
Principal Retirement	50,000		\$18,613		68,613
Interest and Fiscal Charges			11,284		11,284
	<u>721,134</u>	<u></u>	<u>29,897</u>	<u>40,182</u>	<u>791,213</u>
Receipts Over/(Under) Disbursements	18,431	51	(29,897)	(12)	(11,427)
Fund Balances January 1	<u>193,707</u>	<u>17,303</u>	<u>175,000</u>	<u>39,329</u>	<u>425,339</u>
FUND BALANCES DECEMBER 31	<u>\$212,138</u>	<u>\$17,354</u>	<u>\$145,103</u>	<u>\$39,317</u>	<u>\$413,912</u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RECEIPTS:				
Property and Other Local Taxes			\$7,062	\$7,062
Intergovernmental	\$676,015	\$676,015	693,771	17,756
Patron Fines and Fees	15,000	15,000	16,259	1,259
Contributions, Gifts, and Donations	2,000	2,000	2,206	206
Earnings on Investments	1,500	1,500	15,643	14,143
Miscellaneous	2,775	2,775	4,624	1,849
Total Receipts	697,290	697,290	739,565	42,275
DISBURSEMENTS:				
Current:				
Library Services:				
General Public Service and Programs	472,434	465,154	460,840	4,314
Purchased and Contracted Services	141,787	137,055	124,287	12,768
Library Materials and Information	75,900	75,900	68,525	7,375
Capital Outlay	11,500	20,866	17,482	3,384
Debt Service:				
Redemption of Principal	26,397	52,004	50,000	2,004
Total Disbursements	728,018	750,979	721,134	29,845
Excess of Receipts Over/(Under) Disbursements	(30,728)	(53,689)	18,431	72,120
OTHER FINANCING SOURCES (USES)				
Transfers-Out	(22,961)			
Total Financing Sources (Uses)	(22,961)			
Net Change in Fund Balance	(53,689)	(53,689)	18,431	72,120
Fund Balances January 1	193,707	193,707	193,707	
FUND BALANCES DECEMBER 31	\$140,018	\$140,018	\$212,138	\$72,120

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Activities</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$95,550
Investments	<u>329,789</u>
 Total Assets	 <u><u>\$425,339</u></u>
 NET ASSETS	
Restricted for:	
Capital Projects	\$192,303
Debt Service	
Other Purposes	39,329
Unrestricted	<u>193,707</u>
 Total Net Assets	 <u><u>\$425,339</u></u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Service and Sales</u>	<u>Operating Grants & Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Public Services:				
General Public Services and Programs	\$445,227	\$14,730	\$12,343	(\$418,154)
Purchased and Contracted Services	130,703			(130,703)
Library Materials and Information	76,688		23,335	(53,353)
Capital Outlay	32,630		11,545	(21,085)
Debt Service				
Principal Retirement	207,615			(207,615)
Interest and Fiscal Charges	22,822			(22,822)
Total Governmental Activities	<u>\$915,685</u>	<u>\$14,730</u>	<u>\$47,223</u>	<u>(\$853,732)</u>
GENERAL RECEIPTS:				
				693,771
				876
				11,499
				<u>1,058</u>
				707,204
				(146,528)
				<u>571,867</u>
				<u>\$425,339</u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Building & Repair Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in Pooled Cash and Cash Equivalents	\$38,918	\$17,703		\$39,329	\$95,950
Investments	154,789		\$175,000		329,789
Total Assets	<u>\$193,707</u>	<u>\$17,703</u>	<u>\$175,000</u>	<u>\$39,329</u>	<u>\$425,739</u>
FUND BALANCES					
Reserved:					
Reserved for Encumbrances	\$140,018			\$1,363	\$141,381
Unreserved:					
General Fund	53,689				53,689
Special Revenue Funds				32,932	32,932
Capital Projects Funds		\$17,303	\$175,000		192,303
Permanent Funds				5,034	5,034
Total Fund Balances	<u>\$193,707</u>	<u>\$17,303</u>	<u>\$175,000</u>	<u>\$39,329</u>	<u>\$425,339</u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:					
Property and Other Local Taxes	\$876				\$876
Intergovernmental	693,771				693,771
Patron Fines and Fees	14,730				14,730
Contributions, Gifts, and Donations	4,134			\$43,089	47,223
Earnings on Investments	11,483	\$16			11,499
Miscellaneous	1,058				1,058
Total Receipts	<u>726,052</u>	<u>16</u>		<u>43,089</u>	<u>769,157</u>
DISBURSEMENTS:					
Current:					
Public Services:					
General Public Service and Programs	445,227				445,227
Purchased and Contracted Services	128,150			2,553	130,703
Library Materials and Information	60,259			16,429	76,688
Capital Outlay	12,400	7,051		13,179	32,630
Debt Service:					
Principal Retirement	207,615				207,615
Interest and Fiscal Charges	22,822				22,822
Total Disbursements	<u>876,473</u>	<u>7,051</u>		<u>32,161</u>	<u>915,685</u>
Excess of Receipts Over/(Under) Disbursements	(150,421)	(7,035)		10,928	(146,528)
Fund Balances January 1	<u>344,128</u>	<u>24,338</u>	<u>175,000</u>	<u>28,401</u>	<u>571,867</u>
FUND BALANCES DECEMBER 31	<u>\$193,707</u>	<u>\$17,303</u>	<u>\$175,000</u>	<u>\$39,329</u>	<u>\$425,339</u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND 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			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
RECEIPTS:				
Property and Other Local Taxes			\$876	\$876
Intergovernmental	\$671,568	\$671,568	693,771	22,203
Patron Fines and Fees	10,275	10,275	14,730	4,455
Contributions, Gifts, and Donations	1,000	1,000	4,134	3,134
Earnings on Investments	1,500	1,500	11,483	9,983
Miscellaneous	9,050	9,050	1,058	(7,992)
	<u>693,393</u>	<u>693,393</u>	<u>726,052</u>	<u>32,659</u>
DISBURSEMENTS:				
Current:				
Library Services:				
General Public Service and Programs	448,095	448,140	445,227	2,913
Purchased and Contracted Services	132,534	139,215	128,150	11,065
Library Materials and Information	69,250	70,082	60,259	9,823
Capital Outlay	10,200	13,980	12,400	1,580
Debt Service:				
Redemption of Principal	30,820	59,633	207,615	(147,982)
Interest	24,617	16,944	22,822	(5,878)
	<u>715,516</u>	<u>747,994</u>	<u>876,473</u>	<u>(128,479)</u>
Excess of Receipts Over/(Under) Disbursements	<u>(22,123)</u>	<u>(54,601)</u>	<u>(150,421)</u>	<u>(95,820)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-Out	<u>(37,296)</u>	<u>(5,806)</u>		<u>5,806</u>
	<u>(37,296)</u>	<u>(5,806)</u>		<u>5,806</u>
Net Change in Fund Balance	(59,419)	(60,407)	(150,421)	(90,014)
Fund Balances January 1	<u>344,128</u>	<u>344,128</u>	<u>344,128</u>	
FUND BALANCES DECEMBER 31	<u><u>\$284,709</u></u>	<u><u>\$283,721</u></u>	<u><u>\$193,707</u></u>	<u><u>(90,014)</u></u>

See accompanying notes to the basic financial statements.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Loudonville Public Library, Ashland County, Ohio (the Library) was organized as a school district public library in 1925 under the laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statues, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of 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 School District.

The Library has no component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements of the Loudonville Public Library have been prepared on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the 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.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of assets and the statement of activities display information about the Library as a whole. The Library has no business-type activities, fiduciary funds or internal service funds.

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 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 Library 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 cash basis or draws from the Library's general receipts.

2. 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.

B. Fund Accounting

The Library uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are all classified as governmental.

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds, are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of 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 cannot 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.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

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

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

During 2006 and 2005 investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for money market fund and STAR Ohio these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 was 15,643 and during 2005 was \$11,483.

F. 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.

G. 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 cash basis of accounting.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Library has no fund balance deficits.

B. Compliance

The Library is compliant with all finance-related legal or contractual provisions.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no encumbrances outstanding at year end 2006 and 2005.

5. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands upon the Library treasury. Such 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 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

5. DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end in 2006 and 2005, the Library had \$50 (petty cash) in undeposited cash on hand, which is included as part of Equity in Pooled Cash and Cash Equivalents on the balance sheet.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements.

At year end 2006, the carrying amount of the Library's deposits was \$69,309 and the bank balance was \$81,404.

At December 31, 2006 of the bank balance \$81,404 was covered by federal depository insurance.

At December 31, 2005 of the bank balance \$100,000 was covered by the federal depository insurance and \$14,524 was uninsured but collateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

5. DEPOSITS AND INVESTMENTS (continued)

agent in the Library's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the Library's name. The money market mutual fund and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book-entry form.

	<u>2006</u>	<u>2005</u>
	<u>Category 1</u>	<u>Category 2</u>
STAR Ohio	<u>\$242,730</u>	<u>\$231,193</u>
Total Investments	<u><u>\$242,730</u></u>	<u><u>\$231,193</u></u>

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements." The Library maintains a cash and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	<u>\$81,404</u>	<u>\$114,524</u>
STAR Ohio	242,730	231,193
Investments	<u>101,873</u>	<u>98,596</u>
 Total Deposits & Investments	 426,007	 444,313
 Less Outstanding Checks	 <u>12,095</u>	 <u>18,974</u>
 Total	 <u><u>\$413,912</u></u>	 <u><u>\$425,339</u></u>

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

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005 the Library contracted with several companies for various types of insurance coverages as follows:

The Library has had no claims in 2006 and 2005.

The Library pays the State Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

7. DEFINED BENEFIT PENSION PLANS

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.

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 Library's contribution rate for pensions benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31 2006, 2005, and 2004 were \$46,631, \$46,341, and \$39,747, respectively; the full amount has been contributed for 2006, 2005 and 2004.

8. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Purchase Agreement - Construction and Renovation Project	\$137,161	5.75%

On July 15, 1999, the Library entered into \$1,418,500 lease purchase agreement with Farmers and Savings Bank for the construction of 16,000 square feet addition to the Library and to retrofit the current Library structure. The end date of the agreement is July 15, 2014.

The Library made payment in advance of the following schedule which is shown as if the remaining payments will be made timely.

LOUDONVILLE PUBLIC LIBRARY
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

8. DEBT (continued)

Year ending December 31:	General Obligation Note		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$47,597	\$7,840	\$55,437
2008	52,701	2,736	55,437
2009	<u>36,863</u>	<u>2,101</u>	<u>38,964</u>
	<u>\$137,161</u>	<u>\$12,677</u>	<u>\$149,838</u>

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KNOX & KNOX

Accountants and Consultants

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

Loudonville Public Library
Ashland County
122 East Main Street
Loudonville , Ohio 44842

To the Board of Trustees:

We have audited the financial statements of the governmental activities, and major fund of Loudonville Public Library, Ashland County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 24, 2008 wherein we noted the Library uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Library's management in a separate letter dated March 24, 2008.

Loudonville Public Library
Ashland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
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Compliance and Other Matters

As part of reasonably assuring whether the Library's basic 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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
March 24, 2008



Mary Taylor, CPA
Auditor of State

LOUDONVILLE PUBLIC LIBRARY

ASHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2008