



Mary Taylor, CPA
Auditor of State

**PUSKARICH PUBLIC LIBRARY
HARRISON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Puskarich Public Library
Harrison County
200 East Market Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Puskarich Public Library, Harrison 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Puskarich Public Library, Harrison County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Rogers Trust Funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 27, 2007

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

This discussion and analysis of the Puskarich Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006, 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.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$19,599. This decrease in balance was due to the need to complete the following capital projects: The lab computers were replaced to upgrade outdated equipment and a roof replacement was necessary at the main library. The roof was part of the original construction in 1986.

The Library's general receipts are primarily Intergovernmental from the Library and Local Government Support Fund (LLGSF). These receipts represent 93% of the total cash received for governmental activities during the year. The remaining 7% is derived from patron fines and fees, donations and interest on investments and E-rate refunds for telecommunications services.

The Maintenance Fund, the Library's lone business-type activity, had a net decrease of \$1,010. As tax revenue remains stagnant, reliance on the Maintenance Fund for maintaining the Scio Branch Library has increased.

The outstanding loan balance in principal and interest on the Scio Branch building at year end was \$82,342. This loan was procured from Harrison County and has an interest rate of 5.5%. The funds to make payment on this loan come from a portion of the LLGSF distribution. If paid on schedule the loan will be paid in full September of 2010.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$17,069. This increase in balance was due to extremely tight budgeting in anticipation of funding cuts on the state level.

The Library's general receipts are primarily from the Library and Local Government Support Fund. These receipts represent respectively 92% of the total cash received for governmental activities during the year. The remaining 8% is derived from patron fines and fees, donations, interest on investments and E-Rate refunds for telecommunication services.

The Maintenance Fund, the Library's lone business-type activity, had a net increase of \$3,915. These funds are being held for future capital improvements to the Scio Branch Library building.

The outstanding loan balance on the Scio Branch building at the end of 2005 was \$102,087.

Using the Basic Financial Statements

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

Report Components

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

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

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. In 2005, the clerk-treasurer interpreted the major funds to include the General Fund, the Rogers Trust Fund, the Debt Service Fund, the Capital Fund and the Maintenance Fund. In 2006, the decision was reconsidered and the Debt Service Fund was removed from the major fund category. The other major funds are the General Fund, Rogers Trust Fund, Capital Fund and the Maintenance Fund.

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each library program and business-type activity. Program receipts include 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 or business-type activity 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 nonfinancial factors as well, such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

In the statement of net assets and the statement of activities, we divide the Library into two types of activities:

Governmental activities - Most of the Library's basic services are reported here. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. These services are primarily funded by intergovernmental receipts.

Business-type activity - The Library has one business-type activity, the rental of the unused portion of the Scio Branch Library. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Library's Most Significant Funds

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

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

Proprietary Funds – When the Library charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Library has one enterprise fund, the Maintenance Fund.

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)
Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$48,593 | \$122,773 | \$4,338 | \$15,349 | \$52,931 | \$138,122 |
| Investments | 146,335 | 91,754 | 10,000 | 0 | 156,335 | 91,754 |
| Total Assets | <u>\$194,928</u> | <u>\$214,527</u> | <u>\$14,338</u> | <u>\$15,349</u> | <u>\$209,266</u> | <u>\$229,876</u> |
| Net Assets | | | | | | |
| Restricted for: | | | | | | |
| Debt Service | 3,389 | 3,385 | | | 3,389 | 3,385 |
| Capital Outlay | 52,716 | 73,857 | | | 52,716 | 73,857 |
| Non-Expendable | 25,549 | 25,549 | | | 25,549 | 25,549 |
| Other Purposes | 59,579 | 51,864 | | | 59,579 | 51,864 |
| Unrestricted | 53,695 | 59,872 | 14,338 | 15,349 | 68,033 | 75,221 |
| Total Net Assets | <u>\$194,928</u> | <u>\$214,527</u> | <u>\$14,338</u> | <u>\$15,349</u> | <u>\$209,266</u> | <u>\$229,876</u> |

Net assets of governmental activities decreased \$ 19,599 or 9% during 2006. The primary reasons contributing to the decreases in cash balances are as follows: Capital Improvements were needed. Specifically, the roof on the main library was replaced and the outdated computers in the computer lab were replaced.

As mentioned previously, net assets of governmental activities increased \$ 17,069 or 8.5% during 2005. The primary reasons contributing to the increase in cash balances are due to very tight budgeting in view of looming funding cuts.

Business type activities assets decreased by \$1,010 in 2006. This was largely caused by increased reliance on the Maintenance Fund for costs associated with the Scio Branch Building. This reflects a lack of funding for governmental purposes.

Table 2 reflects the changes in net assets in 2006 compared with 2005.

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

| | | | | | | |
|--------------------------------------|------------------|------------------|-----------------|-----------------|------------------|------------------|
| Contributions, Gifts & Donations | \$3,216 | \$9,683 | | | 3,216 | 9,683 |
| Total Program Receipts | <u>3,216</u> | <u>9,683</u> | <u>6,000</u> | <u>6,000</u> | <u>9,216</u> | <u>15,683</u> |
| General Receipts: | | | | | | |
| Intergovernmental Receipts LLGSF | 561,622 | 570,210 | | | 561,622 | 570,210 |
| Patron Fines & Fees | 21,141 | 21,263 | | | 21,141 | 21,263 |
| Interest | 5,440 | 2,419 | | | 5,440 | 2,419 |
| Miscellaneous | 9,337 | 9,970 | | | 9,337 | 9,970 |
| Total General Receipts | <u>597,540</u> | <u>603,862</u> | <u>0</u> | <u>0</u> | <u>597,540</u> | <u>603,862</u> |
| Total Receipts | <u>600,756</u> | <u>613,545</u> | <u>6,000</u> | <u>6,000</u> | <u>606,756</u> | <u>619,545</u> |
| Disbursements: | | | | | | |
| Library Services | 556,307 | 554,544 | 7,010 | 2,085 | 563,317 | 556,629 |
| Capital Outlay | 39,183 | 17,067 | | | 39,183 | 17,067 |
| Principal Retirement | 19,743 | 18,689 | | | 19,743 | 18,689 |
| Interest and Fiscal Charges | 5,122 | 6,176 | | | 5,122 | 6,176 |
| Total Disbursements | <u>620,355</u> | <u>596,476</u> | <u>7,010</u> | <u>2,085</u> | <u>627,365</u> | <u>598,561</u> |
| Excess (Deficiency) Before Transfers | (19,599) | 17,069 | (1,010) | 3,915 | (20,609) | 20,984 |
| Increase (Decrease) in Net Assets | (19,599) | 17,069 | (1,010) | 3,915 | (20,609) | 20,984 |
| Net Assets, January 1 | <u>214,527</u> | <u>197,458</u> | <u>15,349</u> | <u>11,434</u> | <u>229,876</u> | <u>208,892</u> |
| Net Assets, December 31 | <u>\$194,928</u> | <u>\$214,527</u> | <u>\$14,339</u> | <u>\$15,349</u> | <u>\$209,267</u> | <u>\$229,876</u> |

Program receipts represent only 4.5% of total receipts in 2006. These are comprised of donations in the General Fund and rental income from the Maintenance Fund.

General receipts represent the remaining 95.5% in 2006 of the Library's total receipts, and of this amount, over 92.5% are from the LLGSF. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the Library's ability to provide services to the public. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Program receipts represent only 4% of total receipts in 2005. These are comprised of donations in the General Fund and rental income from the Maintenance Fund.

General receipts represent 96% of the Library's total receipts in 2005, and of this amount, over 92 % are derived from the LLGSF. Patron Fines & Fees, Interest on Investments and E-Rate Refunds make up the remainder. These receipts make up only 8% of the general fund revenue and are insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for library materials and information and other library programming.

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

Governmental Activities

If you look at the Statement of Activities on pages 12 and 19, you will see that the first column lists the major services provided by the Government. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services, which account for 89 and 93 percent of all governmental disbursements, respectively in 2006 and 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by 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 2006 | Total Cost of Services 2005 | Net Cost of Services 2006 | Net Cost of Services 2005 |
|-----------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Library Services | \$556,307 | \$554,544 | (\$535,166) | (\$533,281) |
| Capital Outlay | 39,183 | 17,067 | (39,183) | (17,067) |
| Principal Retirement | 19,743 | 18,689 | (19,743) | (18,689) |
| Interest and Fiscal Charges | 5,122 | 6,176 | (5,122) | (6,176) |
| Total Expenses | \$620,356 | \$596,476 | (\$599,214) | (\$575,213) |

Business-Type Activities

The maintenance operation of the Library is relatively small. As tax revenue remains stagnant, reliance on the Maintenance Fund for maintaining the Scio Branch Library has increased.

The Library's Funds

2006

Total governmental funds had receipts of \$600,757 and disbursements of \$620,356. The greatest change within governmental funds was in the Capital Fund. The fund balance of the Capital Fund decreased \$15,253 as the result of expenditures for necessary improvements such as the new roof on the main library and replacement of computers in the computer lab.

General Fund receipts were less than disbursements by \$1,177 indicating that despite inadequate funding, the administration has been able to hold the line on spending to keep the deficit small.

2005

Total governmental funds had receipts of \$613,545 and disbursements of \$596,476. The greatest change within governmental funds occurred within the Capital Fund. The fund balance of the Capital Fund increased \$10,083 and the General Fund balance increased \$3,931, as the result of very tight spending constraints.

Anticipation of a need for funds for Capital Improvements prompted the board to transfer \$20,000 of the excess to the Capital Fund for a roof replacement for the main library in 2006.

Puskarich Public Library
Management's Discussion and Analysis
For the Years Ended
December 31, 2006 and 2005
(Unaudited)

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.

2006

During 2006, the Library did not amend its General Fund budget. Actual receipts were more than the budgeted receipts by \$13,196.

Final disbursements were budgeted at \$611,907 while actual disbursements were \$584,603. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

2005

The revenue budget came very close to balancing. LLGSF receipts were below original estimates. Donations & E-Rate refunds made up the difference. Total general fund receipts were \$318 more than the revenue estimates.

Final disbursements were budgeted at \$619,627 while actual disbursements were \$582,341. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2006 and 2005 the Library's outstanding debt consisted of \$82,343 and \$102,087, respectively, in principal and interest. This was on a loan for the Scio Branch building purchase. The loan was procured from Harrison County and has an interest rate of 5.5%. The funds for repayment of the loan are derived from a portion of the LLGSF distribution.

Current Issues

Funding from the State of Ohio for the Library and Local Government Support Fund has not had an increase since 2001. Since this funding represented 92% of the library's total receipts in 2005 and 92.5% in 2006. The Library will be challenged to continue to maintain the current level of services and programs due to stagnant receipts and ordinary inflation. The Library administration and Board of Trustees must use careful financial planning and prudent fiscal management in order to provide services needed to balance the budget annually.

Contacting the Library's Financial Management

This financial report is designed to provide a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives to all those interested in the Library's financial wellbeing. Questions concerning any of the information in this report or requests for additional information should be directed to Carol Heavilin, Clerk-Treasurer, Puskarich Public Library 200 E. Market Street, Cadiz, Ohio 43907.

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Puskarich Public Library
Harrison County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$48,593 | \$4,338 | \$52,931 |
| Investments | 146,335 | 10,000 | 156,335 |
| <i>Total Assets</i> | <u>\$194,928</u> | <u>\$14,338</u> | <u>\$209,266</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Capital Projects | \$52,716 | | \$52,716 |
| Debt Service | 3,389 | | 3,389 |
| Permanent Fund Purpose | | | |
| Expendable | 2,393 | | 2,393 |
| Nonexpendable | 25,549 | | 25,549 |
| Other Purposes | 57,186 | | 57,186 |
| Unrestricted | 53,695 | 14,338 | 68,033 |
| <i>Total Net Assets</i> | <u>\$194,928</u> | <u>\$14,338</u> | <u>\$209,266</u> |

See accompanying notes to the basic financial statements.

Puskarich Public Library
Harrison County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

| | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Assets | | |
|---------------------------------------|-----------------------|--------------------------------------|--|-----------------------------|--------------------|
| | Cash Disbursements | Charges for Services and Sales | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | |
| Library Services | \$ 556,307 | \$ 21,141 | \$ (535,166) | | \$ (535,166) |
| Capital Outlay | 39,183 | | (39,183) | | (39,183) |
| Debt Service: | | | | | |
| Principal Retirement | 19,743 | | (19,743) | | (19,743) |
| Interest and Fiscal Charges | 5,122 | | (5,122) | | (5,122) |
| <i>Total Governmental Activities</i> | 620,355 | 21,141 | (599,214) | | (599,214) |
| Business-Type Activities | | | | | |
| Maintenance | 7,010 | 6,000 | | (1,010) | (1,010) |
| <i>Total Business-Type Activities</i> | 7,010 | 6,000 | | (1,010) | (1,010) |
| <i>Total Primary Government</i> | <u>\$627,365</u> | <u>\$27,141</u> | <u>(\$599,214)</u> | <u>(\$1,010)</u> | <u>(\$600,224)</u> |

| | | | |
|--------------------------------------|--|------------------|------------------|
| General Receipts | | | |
| Unrestricted Gifts and Contributions | | 3,216 | 3,216 |
| Grants and Entitlements | | | |
| not Restricted to Specific Programs | | 561,622 | 561,622 |
| Interest | | 5,440 | 5,440 |
| Miscellaneous | | 9,337 | 9,337 |
| <i>Total General Receipts</i> | | <u>579,615</u> | <u>579,615</u> |
| Change in Net Assets | | <u>(19,599)</u> | <u>(20,609)</u> |
| <i>Net Assets Beginning of Year</i> | | <u>214,527</u> | <u>229,876</u> |
| <i>Net Assets End of Year</i> | | <u>\$194,928</u> | <u>\$209,267</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

| | General | Rogers | Capital | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$30,913 | \$731 | \$3,045 | \$13,903 | \$48,592 |
| Investments | 22,782 | 41,211 | 34,994 | 47,349 | 146,336 |
| <i>Total Assets</i> | <u>\$53,695</u> | <u>\$41,942</u> | <u>\$38,039</u> | <u>\$61,252</u> | <u>\$194,928</u> |
| Fund Balances | | | | | |
| Reserved: | | | | | |
| Reserved for Encumbrances | \$12,359 | | | \$2,840 | \$15,199 |
| Reserved for Unclaimed Monies | | | | \$36 | 36 |
| Unreserved: | | | | | |
| Undesignated (Deficit), Reported in: | | | | | |
| General Fund | 41,336 | | | | 41,336 |
| Special Revenue Funds | | 41,942 | | 15,244 | 57,186 |
| Debt Service Fund | | | | 3,389 | 3,389 |
| Capital Projects Funds | | | 38,039 | 11,837 | 49,876 |
| Permanent Funds | | | | 27,906 | 27,906 |
| <i>Total Fund Balances</i> | <u>\$53,695</u> | <u>\$41,942</u> | <u>\$38,039</u> | <u>\$61,252</u> | <u>\$194,928</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

| | General | Rogers | Capital | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Receipts | | | | | |
| Library and Local Government Support | \$ 536,753 | | | \$ 24,869 | \$ 561,622 |
| Patron Fines and Fees | 21,141 | | | | 21,141 |
| Contributions, Gifts and Donations | 435 | | | 2,782 | 3,217 |
| Earnings on Investments | 3,401 | \$ 728 | \$ 105 | 1,206 | 5,440 |
| Miscellaneous | 9,337 | | | | 9,337 |
| <i>Total Receipts</i> | <u>571,067</u> | <u>728</u> | <u>105</u> | <u>28,857</u> | <u>600,757</u> |
| Disbursements | | | | | |
| Current: | | | | | |
| Library Services | 554,757 | | | 1,551 | 556,308 |
| Capital Outlay | 17,487 | | 15,358 | 6,338 | 39,183 |
| Debt Service: | | | | | |
| Principal Retirement | | | | 19,743 | 19,743 |
| Interest and Fiscal Charges | | | | 5,122 | 5,122 |
| <i>Total Disbursements</i> | <u>572,244</u> | <u></u> | <u>15,358</u> | <u>32,754</u> | <u>620,356</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,177)</u> | <u>728</u> | <u>(15,253)</u> | <u>(3,897)</u> | <u>(19,599)</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | | | | 5,000 | 5,000 |
| Transfers Out | (5,000) | | | | (5,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(5,000)</u> | <u></u> | <u></u> | <u>5,000</u> | <u>-</u> |
| <i>Net Change in Fund Balances</i> | (6,177) | 728 | (15,253) | 1,103 | (19,599) |
| <i>Fund Balances Beginning of Year</i> | <u>59,872</u> | <u>41,214</u> | <u>53,292</u> | <u>60,149</u> | <u>214,527</u> |
| <i>Fund Balances End of Year</i> | <u>\$53,695</u> | <u>\$41,942</u> | <u>\$38,039</u> | <u>\$61,252</u> | <u>\$194,928</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison 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) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Library and Local Government Support | \$ 536,756 | \$ 536,756 | \$ 536,753 | \$ (3) |
| Patron Fines and Fees | 20,115 | 20,115 | 21,141 | 1,026 |
| Contributions, Gifts and Donations | | | 435 | 435 |
| Earnings on Investments | 1,000 | 1,000 | 3,401 | 2,401 |
| Miscellaneous | | | 9,337 | 9,337 |
| <i>Total receipts</i> | <u>557,871</u> | <u>557,871</u> | <u>571,067</u> | <u>13,196</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services | 585,128 | 592,128 | 565,716 | 26,412 |
| Capital Outlay | 26,779 | 19,779 | 18,887 | 892 |
| <i>Total Disbursements</i> | <u>611,907</u> | <u>611,907</u> | <u>584,603</u> | <u>27,304</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(54,036)</u> | <u>(54,036)</u> | <u>(13,536)</u> | <u>40,500</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | | (5,000) | (5,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>(5,000)</u> | <u>(5,000)</u> |
| <i>Net Change in Fund Balance</i> | (54,036) | (54,036) | (18,536) | 35,500 |
| <i>Fund Balance Beginning of Year</i> | 40,115 | 40,115 | 40,115 | - |
| Prior Year Encumbrances Appropriated | 19,757 | 19,757 | 19,757 | - |
| <i>Fund Balance End of Year</i> | <u>\$5,836</u> | <u>\$5,836</u> | <u>\$41,336</u> | <u>\$35,500</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Rogers Fund
For the Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | (Optional) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Earnings on Investments | \$ 725 | \$ 725 | \$ 729 | \$ 4 |
| <i>Total receipts</i> | <u>725</u> | <u>725</u> | <u>729</u> | <u>4</u> |
| Disbursements | | | | |
| <i>Total Disbursements</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>725</u> | <u>725</u> | <u>729</u> | <u>4</u> |
| <i>Net Change in Fund Balance</i> | 725 | 725 | 729 | 4 |
| <i>Fund Balance Beginning of Year</i> | <u>41,214</u> | <u>41,214</u> | <u>41,214</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u>\$41,939</u> | <u>\$41,939</u> | <u>\$41,943</u> | <u>\$4</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2006

| | <u>Maintenance</u> |
|--|--------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$4,338 |
| Investments | 10,000 |
| <i>Total Assets</i> | <u>\$14,338</u> |
| Net Assets | |
| Unrestricted | <u>\$14,338</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2006

Maintenance

Operating Receipts

Total Operating Receipts

Operating Disbursements

Purchased Services

6,271

Other

740

Total Operating Disbursements

7,011

Operating Income (Loss)

(7,011)

Non-Operating Receipts (Disbursements)

Earnings on Investments

6,000

Total Non-Operating Receipts (Disbursements)

6,000

Change in Net Assets

(1,011)

Net Assets Beginning of Year

15,349

Net Assets End of Year

\$14,338

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$122,773 | \$15,349 | \$138,122 |
| Investments | 91,754 | | 91,754 |
| <i>Total Assets</i> | <u>\$214,527</u> | <u>\$15,349</u> | <u>\$229,876</u> |
| Net Assets | | | |
| Restricted for: | | | |
| Capital Projects | \$73,857 | | \$73,857 |
| Debt Service | 3,385 | | 3,385 |
| Permanent Fund Purpose | | | |
| Expendable | 1,524 | | 1,524 |
| Nonexpendable | 25,549 | | 25,549 |
| Other Purposes | 50,340 | | 50,340 |
| Unrestricted | 59,872 | 15,349 | 75,221 |
| <i>Total Net Assets</i> | <u>\$214,527</u> | <u>\$15,349</u> | <u>\$229,876</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison 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 and Sales | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | |
| Library Services | \$ 554,544 | \$ 21,263 | \$ (533,281) | | \$ (533,281) |
| Capital Outlay | 17,067 | | (17,067) | | (17,067) |
| Debt Service: | | | | | |
| Principal Retirement | 18,689 | | (18,689) | | (18,689) |
| Interest and Fiscal Charges | 6,176 | | (6,176) | | (6,176) |
| <i>Total Governmental Activities</i> | 596,476 | 21,263 | (575,213) | | (575,213) |
| Business-Type Activities | | | | | |
| Maintenance | 2,085 | 6,000 | | 3,915 | 3,915 |
| <i>Total Business-Type Activities</i> | 2,085 | 6,000 | | 3,915 | 3,915 |
| <i>Total Primary Government</i> | <u>\$598,561</u> | <u>\$27,263</u> | <u>(\$575,213)</u> | <u>\$3,915</u> | <u>(\$571,298)</u> |
| General Receipts | | | | | |
| Unrestricted Gifts and Contributions | | | 9,683 | | 9,683 |
| Grants and Entitlements | | | | | |
| not Restricted to Specific Programs | | | 570,210 | | 570,210 |
| Interest | | | 2,419 | | 2,419 |
| Miscellaneous | | | 9,970 | | 9,970 |
| <i>Total General Receipts</i> | | | <u>592,282</u> | | <u>592,282</u> |
| Change in Net Assets | | | <u>17,069</u> | <u>3,915</u> | <u>20,984</u> |
| <i>Net Assets Beginning of Year</i> | | | <u>197,458</u> | <u>11,434</u> | <u>208,892</u> |
| <i>Net Assets End of Year</i> | | | <u>\$214,527</u> | <u>\$15,349</u> | <u>\$229,876</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

| | General | Rogers | Debt Service | Capital | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|----------------|-----------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$39,872 | \$2 | \$3,385 | \$48,299 | \$31,215 | \$122,773 |
| Investments | 20,000 | 41,212 | | 4,993 | 25,549 | 91,754 |
| <i>Total Assets</i> | <u>\$59,872</u> | <u>\$41,214</u> | <u>\$3,385</u> | <u>\$53,292</u> | <u>\$56,764</u> | <u>\$214,527</u> |
| Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Reserved for Encumbrances | \$19,757 | | | | \$20 | \$19,777 |
| Unreserved: | | | | | | |
| Undesignated (Deficit), Reported in: | | | | | | |
| General Fund | 40,115 | | | | | 40,115 |
| Special Revenue Funds | | 41,214 | | | 9,106 | 50,320 |
| Debt Service Fund | | | 3,385 | | | 3,385 |
| Capital Projects Funds | | | | 53,292 | 20,565 | 73,857 |
| Permanent Funds | | | | | 27,073 | 27,073 |
| <i>Total Fund Balances</i> | <u>\$59,872</u> | <u>\$41,214</u> | <u>\$3,385</u> | <u>\$53,292</u> | <u>\$56,764</u> | <u>\$214,527</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

| | General | Rogers | Debt Service | Capital | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|----------------|-----------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Library and Local Government Support | \$ 546,165 | | \$ 24,045 | | | \$ 570,210 |
| Patron Fines and Fees | 21,263 | | | | | 21,263 |
| Contributions, Gifts and Donations | 7,987 | 1,695 | | | | 9,682 |
| Earnings on Investments | 1,139 | \$ 729 | | \$ 83 | \$ 468 | 2,419 |
| Miscellaneous | 9,961 | | | | 10 | 9,971 |
| <i>Total Receipts</i> | <u>586,515</u> | <u>2,424</u> | <u>24,045</u> | <u>83</u> | <u>478</u> | <u>613,545</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| Library Services | 551,228 | | | | 3,316 | 554,544 |
| Capital Outlay | 11,356 | 2,970 | | | 2,741 | 17,067 |
| Debt Service: | | | | | | |
| Principal Retirement | | | 18,689 | | | 18,689 |
| Interest and Fiscal Charges | | | 6,176 | | | 6,176 |
| <i>Total Disbursements</i> | <u>562,584</u> | <u>2,970</u> | <u>24,865</u> | | <u>6,057</u> | <u>596,476</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>23,931</u> | <u>(546)</u> | <u>(820)</u> | <u>83</u> | <u>(5,579)</u> | <u>17,069</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | | | | 10,000 | 10,000 | 20,000 |
| Transfers Out | (20,000) | | | | | (20,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(20,000)</u> | | | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| <i>Net Change in Fund Balances</i> | 3,931 | (546) | (820) | 10,083 | 4,421 | 17,069 |
| <i>Fund Balances Beginning of Year</i> | 55,941 | 41,760 | 4,205 | 43,209 | 52,343 | 197,458 |
| <i>Fund Balances End of Year</i> | <u>\$59,872</u> | <u>\$41,214</u> | <u>\$3,385</u> | <u>\$53,292</u> | <u>\$56,764</u> | <u>\$214,527</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison 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) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | Actual | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Library and Local Government Support | \$ 565,697 | \$ 565,697 | \$ 546,165 | \$ (19,532) |
| Patron Fines and Fees | 19,800 | 19,800 | 21,263 | 1,463 |
| Contributions, Gifts and Donations | | | 7,987 | 7,987 |
| Earnings on Investments | 700 | 700 | 1,139 | 439 |
| Miscellaneous | | | 9,961 | 9,961 |
| <i>Total receipts</i> | <u>586,197</u> | <u>586,197</u> | <u>586,515</u> | <u>318</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services | 590,614 | 590,614 | 559,206 | 31,408 |
| Capital Outlay | 29,013 | 29,013 | 23,135 | 5,878 |
| <i>Total Disbursements</i> | <u>619,627</u> | <u>619,627</u> | <u>582,341</u> | <u>37,286</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(33,430)</u> | <u>(33,430)</u> | <u>4,174</u> | <u>37,604</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | | (20,000) | (20,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>-</u> | <u>-</u> | <u>(20,000)</u> | <u>(20,000)</u> |
| <i>Net Change in Fund Balance</i> | (33,430) | (33,430) | (15,826) | 17,604 |
| <i>Fund Balance Beginning of Year</i> | 24,964 | 24,964 | 24,964 | - |
| Prior Year Encumbrances Appropriated | 30,977 | 30,977 | 30,977 | - |
| <i>Fund Balance End of Year</i> | <u>\$22,511</u> | <u>\$22,511</u> | <u>\$40,115</u> | <u>\$17,604</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Rogers Fund
For the Year Ended December 31, 2005

| | Budgeted Amounts | | Actual | (Optional) |
|--|------------------------|------------------------|------------------------|---|
| | Original | Final | | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Contributions, Gifts and Donations | | | \$ 1,695 | \$ 1,695 |
| Earnings on Investments | 725 | 725 | 729 | 4 |
| <i>Total receipts</i> | <u>725</u> | <u>725</u> | <u>2,424</u> | <u>1,699</u> |
| Disbursements | | | | |
| Library Services | 1,000 | | | - |
| Capital Outlay | 1,000 | 2,970 | 2,970 | - |
| <i>Total Disbursements</i> | <u>2,000</u> | <u>2,970</u> | <u>2,970</u> | <u>-</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(1,275)</u> | <u>(2,245)</u> | <u>(546)</u> | <u>1,699</u> |
| <i>Net Change in Fund Balance</i> | (1,275) | (2,245) | (546) | 1,699 |
| <i>Fund Balance Beginning of Year</i> | <u>41,760</u> | <u>41,760</u> | <u>41,760</u> | <u>-</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$40,485</u></u> | <u><u>\$39,515</u></u> | <u><u>\$41,214</u></u> | <u><u>\$1,699</u></u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
December 31, 2005

| | <u>Maintenance</u> |
|--|--------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$15,349 |
| <i>Total Assets</i> | <u>\$15,349</u> |
| Net Assets | |
| Unrestricted | <u>\$15,349</u> |

See accompanying notes to the basic financial statements

Puskarich Public Library
Harrison County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2005

| | <u>Maintenance</u> |
|---|--------------------|
| Operating Receipts | |
| <i>Total Operating Receipts</i> | |
| | |
| Operating Disbursements | |
| Purchased Services | 1,467 |
| Other | 618 |
| <i>Total Operating Disbursements</i> | 2,085 |
| | |
| <i>Operating Income (Loss)</i> | (2,085) |
| | |
| Non-Operating Receipts (Disbursements) | |
| Earnings on Investments | 6,000 |
| | |
| <i>Total Non-Operating Receipts (Disbursements)</i> | 6,000 |
| | |
| <i>Change in Net Assets</i> | 3,915 |
| | |
| <i>Net Assets Beginning of Year</i> | 11,434 |
| | |
| <i>Net Assets End of Year</i> | \$15,349 |

See accompanying notes to the basic financial statements

Note 1 – Description of the Library and Reporting Entity

The Puskarich Public Library was organized as a school district public library in 1910 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Harrison Hills CSD Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

The Friends of the Clark Memorial Library and Friends of the Scio Branch Library are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budget or the issuance of debt of the organizations. The Library does not have the ability to access the economic resources of the friends of the library groups, nor are the resources significant to the Library. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements of the Puskarich 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

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Library does not apply FASB statements issued after November 30, 1989 to its business-type activities and to its enterprise funds. The most significant of the Library's accounting policies are described below.

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.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include 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 or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

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 and enterprise 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.

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. Funds are used to segregate resources that are restricted as to use. The Library's funds are classified as governmental and proprietary.

Note 2 - Summary of Significant Accounting Policies - (Continued)

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. 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 - 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.

Rogers Trust Fund – This Trust fund is the result of a donation from the Rogers family in memory of Frances Rogers. The donation was composed of Baxter International stock. The Board of Trustees has elected to retain the stock and use the dividends for improvements to the main library, until such time that an addition or other large project should be necessary.

Debt Service Fund – The Debt Service Fund is to account for the repayment of the Scio Branch Library building purchase loan. A portion of the Library's Local Government funding is deposited into the fund for loan payments.

Capital Fund – The Capital Fund accounts for monies set aside by the Board of Trustees specifically for major capital improvements.

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

Proprietary Funds

The Library classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Library's enterprise fund is: the Maintenance Fund. The Maintenance Fund is used to pay for various improvements and other items needed to operate and maintain the Scio Branch Library building. The Maintenance Fund derives its income from the rental of the Scio Branch Building lower level that is not used for library purposes.

C. Basis of Accounting

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.

Note 2 - Summary of Significant Accounting Policies - (Continued)

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 Fiscal Officer 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.

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." Library records do identify the purchase of specific investments by specific investments by the respective trust funds.

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.

During 2006 and 2005, investments were limited to a public fund savings account, nonnegotiable certificates of deposit, and donated stock issues. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 and 2006 amounted to \$1,139 and \$3,401, respectively.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The library has three trust funds that are unexpendable, only the interest earned by the funds are available to spend. These include the Smiley Trust \$5,449, Tabacchi Trust \$10,000 and Clark Trust \$10,100.

Note 2 - Summary of Significant Accounting Policies - (Continued)

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements

H. Capital Assets

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

I. 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.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither the revenue from another financing source nor the capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital improvements.

M. 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.

N. 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.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In the year 2005, the Library has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance. The encumbrances outstanding at year end (budgetary basis) for the General Fund in 2005 & 2006 amounted to \$19,757 and \$30,977, respectively. There were no outstanding advances at year-end.

Note 5 - Deposits and Investments

A. Deposits

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

Active deposits are public deposits necessary to meet current demands on 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 certificates of deposit maturing not later than 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 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 may 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;

Note 5 - Deposits and Investments - (Continued)

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;
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).

At year end 2005 the carrying amount of the Library's deposits was \$183,562 and the bank balance was \$201,839. Of the bank balance \$145,013 was covered by federal depository insurance and \$56,826 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the library's name.

At year end 2006 the carrying amount of the Library's deposits was \$162,952 and the bank balance was \$173,248. Of the bank balance \$163,117 was covered by federal depository insurance and \$10,131 was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the library's name.

The Library has no deposit 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.

B. Investments

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.

At year end 2005 and 2006, the Library had \$110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash & Cash Equivalents" on the financial statements.

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. The value of the pledged securities must be equal to 105% of the deposits being secured.

Puskarich Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005

Note 5 - Deposits and Investments - (Continued)

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that it remains sufficiently liquid to enable the Fiscal Officer to meet reasonable anticipated operating requirements.

The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

The only investments during 2005 and 2006 were in certificates of deposits, a public funds savings account and common stock which are held as donated assets in the Rogers Trust and the Capital Fund.

The common stocks owned by the library were donated and not purchased by the library. The library owns 1252 shares of Baxter International and 125 shares of Edwards Inc. stock which was given as a dividend on the Baxter International stock. The library also owns 109 shares of Pfizer Inc. stock. These stocks are reported at the value that they were at the time of donation. Baxter International stock carrying value is \$39,516; Edwards Inc. stock carrying value is \$1,695. Both are held by the Rogers Fund and the Pfizer Stock is held in the Capital Fund at a value of \$4,993. Any gain or loss will be reported when the stocks are liquidated.

Note 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 2005 and 2006, the Library contracted with several companies for various types of insurance coverage as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|---------------------------------|-------------------------|-----------------|
| Westfield Insurance | Commercial Property | \$3,893,424 |
| | General Liability | \$5,105,000 |
| | Commercial Crime | |
| | Inland Marine | \$691,000 |
| | Vehicle | |
| United States Liability Company | Errors and Omissions | \$1,000,000 |
| | Library Officials | |
| Century Surety Company | Fidelity and Deposit | \$40,000 |

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System 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.

Note 7 - Defined Benefit Pension Plan

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% of their annual covered salaries. Of this 8.5% the library picks up 3%. The Library's contribution rate for pension benefits for 2005 was 13.55%. For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0% of their annual covered salaries. Of this 9.0% the library picks up 3%. The Library's contribution rate for pension benefits for 2006 is 13.70%. 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 in the amounts of \$44,505, \$42,873 and \$43,141 for the years ended December 31, 2006, 2005, and 2004, respectively. The full amount has been contributed for 2006, 2005 and 2004. There were no contributions to the member-directed plan for 2005 or 2006.

Note 8- Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.7 and 13.55 percent respectively, of covered payroll; 4% 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%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% on additional annual pay increases. Health care premiums were assumed to increase 1% and 6% annually for the next eight years and 4% percent annually after eight years.

Puskarich Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005

Note 8- Postemployment Benefits -(Continued)

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

The number of active contributing participants in the traditional and combined plans was 369214. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$147,863 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

Note 9 – Debt

The library procured a loan for the purchase of the Scio Branch Library building from Harrison County. The debt is slated to be paid in full in 2010 provided current funding is continued. The funds for repayment are a portion of the Library Local Government Services Funding distribution designated for the payment of the debt. The annual loan payment is made in monthly installments of \$2,072.11 totaling \$24,865.32 for the year.

| | Principal | Interest | Total |
|-------|------------------|-----------------|------------------|
| 2007 | \$ 20,856 | \$ 4,008 | \$ 24,864 |
| 2008 | 22,033 | 2,832 | 24,865 |
| 2009 | 23,276 | 1,589 | 24,865 |
| 2010 | <u>16,177</u> | <u>334</u> | <u>16,511</u> |
| Total | <u>\$ 82,342</u> | <u>\$ 8,763</u> | <u>\$ 91,105</u> |

Note 10 – Interfund Transfers

In 2005, the general fund transferred \$10,000.00 to the capital projects fund for the purchase of capital items and maintenance of buildings throughout the library system. In addition, the General Fund transferred \$10,000.00 to the technology replacement fund for replacement of computer equipment and various other technology related items. In 2006 the General Fund transferred \$5,000 to the Donation Fund for future expenditure.



Mary Taylor, CPA

Auditor of State

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

Puskarich Public Library
Harrison County
200 East Market Street
Cadiz, Ohio 43907

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Puskarich Public Library, Harrison County, (the Library) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 27, 2007. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 a basis for designing our audit procedures for expressing our opinion 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.

We noted certain matters that we reported to the Library's management in a separate letter dated September 27, 2007.

Compliance and Other Matters

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

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



Mary Taylor, CPA
Auditor of State

September 27, 2007



Mary Taylor, CPA
Auditor of State

PUSKARICH PUBLIC LIBRARY

HARRISON 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
MARCH 20, 2008**