

Homer Public Library

Licking County, Ohio

Regular Audit

For the Years Ended December 31, 2006 and 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Homer Public Library
385 South Street NW
Homer, Ohio 43027

We have reviewed the *Independent Auditor's Report* of the Homer Public Library, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 12, 2007

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Homer Public Library
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Homer Public Library
Licking County, Ohio
385 South Street NW
Homer, Ohio 43027

We have audited the accompanying financial statements of the Homer Public Library, Licking County, Ohio, (the Library) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
May 15, 2007

Homer Public Library
Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$225,941	\$0	\$225,941
Patron Fines and Fees	2,740	0	2,740
Earnings on Investments	6,729	0	6,729
Contributions, Gifts and Donations	1,982	0	1,982
Miscellaneous	500	0	500
Total Cash Receipts	<u>237,892</u>	<u>0</u>	<u>237,892</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	151,977	0	151,977
Purchased and Contracted Services	27,028	0	27,028
Other Objects	39,234	0	39,234
Capital Outlay	2,413	149,979	152,392
Total Cash Disbursements	<u>220,652</u>	<u>149,979</u>	<u>370,631</u>
Total Receipts Over/(Under) Disbursements	17,240	(149,979)	(132,739)
Other Financing Receipts:			
Sale of Fixed Assets	150	0	150
Total Other Financing Receipts	<u>150</u>	<u>0</u>	<u>150</u>
Excess of Cash Receipts Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	17,390	(149,979)	(132,589)
Fund Cash Balances, January 1	<u>151,819</u>	<u>150,805</u>	<u>302,624</u>
Fund Cash Balances, December 31	<u>\$169,209</u>	<u>\$826</u>	<u>\$170,035</u>
Reserved for Encumbrances, December 31	<u>\$1,025</u>	<u>\$0</u>	<u>\$1,025</u>

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

Homer Public Library
Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$225,941	\$0	\$225,941
Patron Fines and Fees	2,441	0	2,441
Earnings on Investments	5,093	0	5,093
Contributions, Gifts and Donations	0	0	0
Miscellaneous	348	0	348
Total Cash Receipts	<u>233,823</u>	<u>0</u>	<u>233,823</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	149,530	0	149,530
Purchased and Contracted Services	26,762	0	26,762
Other Objects	39,420	0	39,420
Capital Outlay	0	8,230	8,230
Total Cash Disbursements	<u>215,712</u>	<u>8,230</u>	<u>223,942</u>
Total Receipts Over/(Under) Disbursements	18,111	(8,230)	9,881
Other Financing Receipts/(Disbursements):			
Transfers In	0	37,000	37,000
Transfers Out	(37,000)	0	(37,000)
Total Other Financing Receipts/(Disbursements)	<u>(37,000)</u>	<u>37,000</u>	<u>0</u>
Excess of Cash Receipts Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,889)	28,770	9,881
Fund Cash Balances, January 1	<u>170,708</u>	<u>122,035</u>	<u>292,743</u>
Fund Cash Balances, December 31	<u>\$151,819</u>	<u>\$150,805</u>	<u>\$302,624</u>
Reserved for Encumbrances, December 31	<u>\$4,321</u>	<u>\$0</u>	<u>\$4,321</u>

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

Homer Public Library
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Homer Public Library, Licking County, Ohio, (the Library) as a body corporate and politic. The Library is directed by a three-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Funds - These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Projects Fund:

Building and Repair Fund – This fund is used for capital outlay expenditures related to facilities and repairs to facilities.

E. Budgetary Process

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

Homer Public Library
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property, Plant and Equipment

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

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$47,703	\$60,908
Certificates of deposit	41,047	101,835
STAR Ohio	81,285	139,881
Total deposits and investments	\$170,035	\$302,624

Deposits: Demand deposits and certificates of deposit are either (1) insured by the Federal Depository Insurance Corporation or (2) 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.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$308,671	\$221,677	\$86,994
Capital Projects	150,000	149,979	21
Total	\$458,671	\$371,656	\$87,015

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$373,738	\$257,033	\$116,705
Capital Projects	162,000	8,230	153,770
Total	\$535,738	\$265,263	\$270,475

NOTE 4 – GRANTS-IN-AID

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

Homer Public Library
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

NOTE 5 – RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 9.0 percent and 8.5 percent of their gross salaries for the years ended December 31, 2006 and 2005, respectively. The Library contributed amounts equal to 13.70 percent and 13.55 percent of participants' gross salaries for the years ended December 31, 2006 and 2005, respectively. The Library has paid all contributions required through December 31, 2006.

NOTE 6 – RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Library has not incurred significant reductions in insurance coverage from the prior year by category or risk.

The Library also provides health and life insurance coverage to full-time employees through a private carrier.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Homer Public Library
Licking County, Ohio
385 South Street NW
Homer, Ohio 43027

We have audited the accompanying financial statements of the Homer Public Library, Licking County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 15, 2007, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Library's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Homer Public Library

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Balestra, Harr & Scherer, CPAs, Inc.

May 15, 2007



Mary Taylor, CPA
Auditor of State

HOMER PUBLIC LIBRARY

LICKING 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
JUNE 26, 2007**