



**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005-2006**



**Mary Taylor, CPA**  
Auditor of State



PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Plain City School District Public Library  
Madison County  
305 West Main Street  
Plain City, Ohio 43064

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Plain City School District Public Library, Madison County, Ohio (the Library), as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express 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 2, 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 and each major fund of Plain City School District Public Library, Madison County, Ohio, as of December 31, 2006 and December 31, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note describes.

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 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

March 7, 2007

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

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This discussion and analysis of the Plain City School District Public Library's, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006 and 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 \$11,259 or 9.1%, a slight change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Capital Improvement Fund, which realized the greatest burden of increased costs in 2006.

The Library's general receipts are primarily library and local government support money. This receipt type represents 79.3 percent of the total cash received for governmental activities during the year. Library and local government support receipts for 2006 changed very little compared to 2005 as library and local government support has been stagnant.

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$51,499 or 29.5 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected both funds.

The Library's general receipts are primarily library and local government support money. These receipts represent 92.9 percent of the total cash received for governmental activities during the year. Library and local government support receipts for 2005 changed very little compared to 2004 as library and local government support has been stagnant.

**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.

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

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

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

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**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 of the governmental type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the statement of net assets and the statement of activities, the Library presents Governmental Activities.

Governmental activities. All of the Library's basic services are reported here. Library and local government support finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.



**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

**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 all categorized as governmental.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General and Capital Improvement Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

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

**Table 1  
Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$ 102,989	\$ 67,498
Investments	8,944	55,694
Total Assets	111,933	123,192
<b>Net Assets</b>		
Restricted for:		
Capital Projects	8,944	55,694
Unrestricted	102,989	67,498
Total Net Assets	\$111,933	\$123,192

As mentioned previously, net assets of governmental activities decreased \$11,259 or 9.1 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Health benefit costs grew substantially.
- Increases in salaries ranging from 3% to 4% based on approved rates.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
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(Continued)**

As mentioned previously, net assets of governmental activities decreased \$51,499 or 29.5 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in library and local government support.
- Increases in salaries ranging from 3% to 4% based on approved rates.

Table 2 reflects the changes in net assets in 2006 and the net assets in 2005.

<b>Table 2</b>	<b>2006</b>	<b>2005</b>
<b>Changes in Net Assets</b>	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$21,526	\$19,551
Total Program Receipts	21,526	19,551
General Receipts:		
Library and Local Govt. Support	433,360	433,714
Unrestricted Gifts and Contributions	83,587	3,046
Earnings on Investments	7,234	3,887
Miscellaneous	876	6,793
Total General Receipts	525,057	447,440
Total Receipts	546,583	466,991
Disbursements:		
Library Services	499,466	501,148
Capital Outlay	58,376	17,342
Total Disbursements	557,842	518,490
Increase (Decrease) in Net Assets	(11,259)	(51,499)
Net Assets, January 1	123,192	174,691
Net Assets, December 31	\$111,933	\$123,192

In 2006, program receipts represent only 3.9 percent of total receipts and are primarily comprised of library patron fines and fees.

In 2006, general receipts represent 96.1 percent of the Library's total receipts, and of this amount, over 79.3 percent are library and local government support revenues. Gifts, contributions, interest and miscellaneous make up the balance of the Library's general receipts (16.8 percent). Other receipts increased in 2006 due to an \$80,000 one time donation but other receipts are usually unpredictable revenue sources.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

In 2005, program receipts represent only 4.2 percent of total receipts and are primarily comprised of library patron fines and fees.

In 2005, general receipts represent 95.8 percent of the Library's total receipts, and of this amount, over 92.9 percent are library and local government support revenues. Gifts, contributions, interest and miscellaneous make up the balance of the Library's general receipts (2.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the costs of running the Library and the support services provided for the other Library activities. These include the costs of library materials and employee salaries and benefits. These were relatively stable from year to year. Capital Outlay disbursements increased 236.6 percent when a large donation to the Library became available for capital projects in the Library facility.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services, which account for 89.5 percent in 2006 and 96.7 percent in 2005 of all governmental disbursements. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library 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 library and local government support. 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**

	2006		2005	
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2006	2006	2005	2005
Library Services	\$499,466	\$477,940	\$ 501,148	\$ 481,597
Capital Outlay	58,376	58,376	17,342	17,342
<b>Total Expenses</b>	<b>\$557,842</b>	<b>\$536,316</b>	<b>\$518,490</b>	<b>\$498,939</b>

The dependence upon library and local government support is apparent as over 77.7 percent in 2006 and over 83.6 percent in 2005 of governmental activities are supported through these general receipts.

**The Library's Funds**

In 2006, total governmental funds had receipts of \$546,583 and disbursements of \$557,842. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$35,491 as the result of an estate gift of some \$80,000. The Library did not achieve anticipated growth in library and local government support receipts. The fund balance of the Capital Fund decreased \$46,750 due to capital expenses.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
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(Continued)**

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In 2005, total governmental funds had receipts of \$466,991 and disbursements of \$518,490. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$40,012 as the result of increased costs of salaries and benefits and not achieving anticipated growth in library and local government support receipts. The fund balance of the Capital Fund decreased \$11,487 due to capital expenses.

General Fund receipts were less than disbursements by \$40,012 indicating that the General Fund is in a deficit spending situation. It was a recommendation of the finance committee and the administration that a reduction in disbursements was preferable. Some of these reductions have already been implemented for 2006 including cuts in maintenance. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in library and local government support receipts remains stagnant. The Capital Fund balance decreased \$11,487 from prior year due to a small amount of interest received and some capital expenses occurred.

**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, and disbursements. The most significant budgeted fund is the General Fund.

During 2006, the Library amended its General Fund budget slightly. Differences between final budgeted receipts and actual receipts were not significant.

Final disbursements were budgeted at \$570,449 while actual disbursements were \$509,416. The Library kept spending reasonably close to budgeted amounts as demonstrated by the small reported variances. The result is the increase in fund balance of \$35,491 for 2006.

During 2005, the Library amended its General Fund budget slightly. Differences between final budgeted receipts and actual receipts were not significant.

Final disbursements were budgeted at \$570,449 while actual disbursements were \$505,279. The Library kept spending reasonably close to budgeted amounts as demonstrated by the small reported variances. The result is the decrease in fund balance of \$40,012 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

At December 31, 2006 and 2005, the Library did not report capital assets.

**Debt**

At December 31, 2006 and 2005, the Library had no outstanding debt.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on library and local government support and future reductions are expected in funding.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lila L. Stewart, Clerk-Treasurer, Plain City Public Library, 305 W. Main St., Plain City, OH 43064.

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PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2006

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$102,989
Investments	8,944
<i>Total Assets</i>	<u>\$111,933</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$8,944
Unrestricted	102,989
<i>Total Net Assets</i>	<u>\$111,933</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>  <u>Governmental</u> <u>Activities</u>
<b>Governmental Activities</b>			
Library Services			
Salaries	\$280,852	\$0	(\$280,852)
Employee Fringe Benefits	48,038	0	(48,038)
Purchased and Contracted services	58,183	0	(58,183)
Library Materials and Information	72,585	21,526	(51,059)
Supplies	9,638	0	(9,638)
Other	30,170	0	(30,170)
Capital Outlay	58,376	0	(58,376)
<i>Total Governmental Activities</i>	<u>\$557,842</u>	<u>\$21,526</u>	<u>(536,316)</u>
<b>General Receipts</b>			
Unrestricted Gifts and Contributions			83,587
Grants and Entitlements not Restricted to Specific Programs			433,360
Earnings on Investments			7,234
Miscellaneous			876
<i>Total General Receipts</i>			<u>525,057</u>
Change in Net Assets			(11,259)
<i>Net Assets Beginning of Year</i>			<u>123,192</u>
<i>Net Assets End of Year</i>			<u>\$111,933</u>

See accompanying notes to the basic financial statements



**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 102,989	\$ -	\$ 102,989
Investments	-	8,944	8,944
<i>Total Assets</i>	<u>\$ 102,989</u>	<u>\$ 8,944</u>	<u>\$ 111,933</u>
<b>Fund Balances</b>			
Unreserved:			
Undesignated, Reported in:			
General Fund	\$ 102,989	\$ -	\$ 102,989
Capital Improvement Fund	-	8,944	8,944
<i>Total Fund Balances</i>	<u>\$ 102,989</u>	<u>\$ 8,944</u>	<u>\$ 111,933</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	TOTAL
<b>Receipts</b>			
Library and Local Government Support	\$433,360	\$0	\$433,360
Patron, Fines and Fees	21,526	0	21,526
Contributions, Gifts and Donations	83,587	0	83,587
Earnings on Investments	5,558	1,676	7,234
Miscellaneous	876	0	876
<b>Total Receipts</b>	<b>544,907</b>	<b>1,676</b>	<b>546,583</b>
<b>Disbursements</b>			
Current:			
Library Services			
Salaries	280,852	0	280,852
Employee Fringe Benefits	48,038	0	48,038
Purchased and Contracted services	58,183	0	58,183
Library Materials and Information	72,585	0	72,585
Supplies	9,638	0	9,638
Other	30,170	0	30,170
Capital Outlay	9,950	48,426	58,376
<b>Total Disbursements</b>	<b>509,416</b>	<b>48,426</b>	<b>557,842</b>
Excess of Receipts Over (Under) Disbursements	35,491	(46,750)	(11,259)
Net Change in Fund Balances	35,491	(46,750)	(11,259)
Fund Balances Beginning of Year	67,498	55,694	123,192
Fund Balances End of Year	<u>\$102,989</u>	<u>\$8,944</u>	<u>\$111,933</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library and Local Government Support	\$433,360	\$433,360	\$433,360	\$0
Patron, Fines and Fees	17,790	17,790	21,526	3,736
Contributions, Gifts and Donations	83,535	83,535	83,587	52
Earnings on Investments	2,125	2,125	5,558	3,433
Miscellaneous	550	550	876	326
<i>Total receipts</i>	<u>537,360</u>	<u>537,360</u>	<u>544,907</u>	<u>7,547</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Salaries	295,669	295,669	280,852	14,817
Employee Fringe Benefits	60,000	57,700	48,038	9,662
Purchased and Contracted services	77,300	77,900	58,183	19,717
Library Materials and Information	82,800	82,800	72,585	10,215
Supplies	13,000	13,000	9,638	3,362
Other	34,680	32,380	30,170	2,210
Capital Outlay	10,000	10,140	9,950	190
<i>Total Disbursements</i>	<u>573,449</u>	<u>569,589</u>	<u>509,416</u>	<u>60,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,089)</u>	<u>(32,229)</u>	<u>35,491</u>	<u>67,720</u>
<b>Other Financing (Uses)</b>				
Transfers Out	(500)	(500)	0	500
Other Financing Uses	(1,500)	(360)	0	360
<i>Total Other Financing (Uses)</i>	<u>(2,000)</u>	<u>(860)</u>	<u>0</u>	<u>860</u>
<i>Net Change in Fund Balance</i>	<u>(38,089)</u>	<u>(33,089)</u>	<u>35,491</u>	<u>68,580</u>
<i>Fund Balance Beginning of Year</i>	<u>67,498</u>	<u>67,498</u>	<u>67,498</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$29,409</u>	<u>\$34,409</u>	<u>\$102,989</u>	<u>\$68,580</u>

See accompanying notes to the basic financial statements

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 67,498
Investments	<u>55,694</u>
<i>Total Assets</i>	<u><u>\$ 123,192</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 55,694
Unrestricted	<u>67,498</u>
<i>Total Net Assets</i>	<u><u>\$ 123,192</u></u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u>  <u>Governmental</u> <u>Activities</u>
<b>Governmental Activities</b>			
Library Services:			
Salaries	\$271,062	\$0	(\$271,062)
Employee Fringe Benefits	41,427	0	(41,427)
Purchased and Contracted services	63,485	0	(63,485)
Library Materials and Information	81,131	19,551	(61,580)
Supplies	12,457	0	(12,457)
Other	31,586	0	(31,586)
Capital Outlay	17,342	0	(17,342)
<i>Total Governmental Activities</i>	<u>\$518,490</u>	<u>\$19,551</u>	<u>(498,939)</u>
 <b>General Receipts</b>			
			3,046
			433,714
			3,887
			<u>6,793</u>
<i>Total General Receipts</i>			447,440
Change in Net Assets			(51,499)
<i>Net Assets Beginning of Year</i>			<u>174,691</u>
<i>Net Assets End of Year</i>			<u>\$123,192</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 67,498	\$ -	\$ 67,498
Investments	-	55,694	55,694
<i>Total Assets</i>	<u>\$ 67,498</u>	<u>\$ 55,694</u>	<u>\$ 123,192</u>
<b>Fund Balances</b>			
Unreserved:			
Undesignated, Reported in:			
General Fund	\$ 67,498	\$ -	\$ 67,498
Capital Projects Funds	-	55,694	55,694
<i>Total Fund Balances</i>	<u>\$ 67,498</u>	<u>\$ 55,694</u>	<u>\$ 123,192</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	TOTAL
<b>Receipts</b>			
Library and Local Government Support	\$433,714	\$0	\$433,714
Patron, Fines and Fees	19,551	0	19,551
Contributions, Gifts and Donations	3,046	0	3,046
Earnings on Investments	2,163	1,724	3,887
Miscellaneous	6,793	0	6,793
<b>Total Receipts</b>	<b>465,267</b>	<b>1,724</b>	<b>466,991</b>
<b>Disbursements</b>			
Current:			
Library Services			
Salaries	\$271,062	\$0	\$271,062
Employee Fringe Benefits	41,427	0	41,427
Purchased and Contracted services	63,485	0	63,485
Library Materials and Information	81,131	0	81,131
Supplies	12,457	0	12,457
Other	31,586	0	31,586
Capital Outlay	4,131	13,211	17,342
<b>Total Disbursements</b>	<b>505,279</b>	<b>13,211</b>	<b>518,490</b>
Deficit of Receipts (Under) Disbursements	(40,012)	(11,487)	(51,499)
Net Change in Fund Balances	(40,012)	(11,487)	(51,499)
Fund Balances Beginning of Year	107,510	67,181	174,691
Fund Balances End of Year	<u>\$67,498</u>	<u>\$55,694</u>	<u>\$123,192</u>

See accompanying notes to the basic financial statements

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Library and Local Government Support	\$439,539	\$439,539	\$433,714	(\$5,825)
Patron, Fines and Fees	17,790	17,790	19,551	1,761
Contributions, Gifts and Donations	3,535	3,535	3,046	(489)
Earnings on Investments	2,125	2,125	2,163	38
Miscellaneous	550	550	6,793	6,243
<i>Total receipts</i>	<u>463,539</u>	<u>463,539</u>	<u>465,267</u>	<u>1,728</u>
<b>Disbursements</b>				
Current:				
Library Services				
Salaries	276,999	276,999	\$271,062	5,937
Employee Fringe Benefits	57,000	57,000	41,427	15,573
Purchased and Contracted services	82,300	82,300	63,485	18,815
Library Materials and Information	90,300	90,300	81,131	9,169
Supplies	13,000	13,000	12,457	543
Other	38,850	38,850	31,586	7,264
Capital Outlay	10,000	10,000	4,131	5,869
<i>Total Disbursements</i>	<u>568,449</u>	<u>568,449</u>	<u>505,279</u>	<u>63,170</u>
<i>Deficit of Receipts (Under) Disbursements</i>	<u>(104,910)</u>	<u>(104,910)</u>	<u>(40,012)</u>	<u>64,898</u>
<b>Other Financing (Uses)</b>				
Transfers Out	(500)	(500)	0	500
Other Financing Uses	(1,500)	(1,500)	0	1,500
<i>Total Other Financing (Uses)</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	(106,910)	(106,910)	(40,012)	66,898
<i>Fund Balance Beginning of Year</i>	<u>107,510</u>	<u>107,510</u>	<u>107,510</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$600</u>	<u>\$600</u>	<u>\$67,498</u>	<u>\$66,898</u>

See accompanying notes to the basic financial statements



**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

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

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**Note 1 – Description of the Library and Reporting Entity**

The Plain City Public Library, Madison County, (the Library) was organized in 1945 as a school district public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Jonathan Alder Local School District 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 Jonathan Alder Local 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.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

The Library participates in one joint venture. Note 10 to the financial statements provides additional information for this entity. The organization is the Central Library Consortium (the "CLC").

The Friends of the Plain City Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not have the ability to access a majority of the organization's economic resources nor is the organization significant to the Library; therefore, this organization has 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.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**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. Governmental activities generally are financed through library and local government support.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and contributions restricted to meeting the operational requirements of a particular program, and receipts of interest earned on revenues that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

**Fund Financial Statements**

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Library has no nonmajor funds.

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies** (continued)

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from library and local government support. 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.

Capital Improvement Fund – The Capital Improvement Fund accounts for capital monies and earned interest set aside for capital projects.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

Both funds of the Library 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 object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process** (continued)

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."

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

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

During 2006 and 2005, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. STAR Ohio investments are recorded at cost. For 2006 and 2005, Star Ohio investments were specifically pledged in the name of the capital improvement fund for \$ 8,944 and \$ 55,694, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 or December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2006 and 2005 amounted to \$5,558 and \$2,163, respectively, which includes no interest assigned from other Library funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when external limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other government, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets as of each year end.

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**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 8 and 9, 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 an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Library has no debt.

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 are restricted for other purposes for capital improvements.

M. Fund Balance Reserves

Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

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. The Library had no interfund transactions during the year.

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**Note 3 – Change in Basis of Accounting**

In 2004 the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. In 2005 the Library implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column, rather than a column for each fund type.

The transition from the regulatory basis of accounting to the modified cash basis of accounting generated no changes to fund balance/equity as previously reported at December 31, 2004.

**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 and disbursements. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end (budgetary basis) for 2006 or 2005 for the general fund.

**Note 5 – Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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.

**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 5 – Deposits and Investments** (continued)

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

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

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 December 31, 2006 and 2005, the Library had \$175 and \$115, respectively, in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, the carrying amounts of the Library's deposits were \$969 and \$10,515, respectively, and the bank balance was \$20,312 and \$28,403, respectively. The entire bank balances were covered by federal depository insurance.

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.

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**Note 5 - Deposits and Investments** (continued)

Investments

As of December 31, 2006 and December 31, 2005, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio at 12-31-06	\$ 110,789	< 1 year
STAR Ohio at 12-31-05	112,562	< 1 year

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 6 – Library and Local Government Support**

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 and other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.



**PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)**

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**Note 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Library contracted with State Auto Insurance Companies for commercial property insurance at \$1.1 million coverage and general liability insurance for \$1 million coverage. The Library contracted with France and Associates for legal liability for \$500,000 coverage. The Clerk-Treasurer has a \$10,000 bond with The Ohio Casualty Group.

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 8 - 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 years ended December 31, 2006 and December 31, 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent and for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$38,477, \$36,729, and \$35,068, respectively; the full amount has been contributed for 2006, 2005, and 2004.

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**Note 9 - 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 local government employer contribution rate was 13.70 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$11,234 and \$10,842, 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 \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY  
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(Continued)

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**Note 10 – Joint Venture**

The Library is a member of the Central Library Consortium (the “CLC”). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system. The CLC, which commenced on June 13, 1988, has seven members consisting of the Fairfield County District Library, Grandview Heights Public Library, Pickerington Public Library, The Wagnalls Memorial Library, Pickaway County District Public Library, Marysville Public Library, and Plain City Public Library. The original agreement has been modified to extend membership to additional libraries. The CLC is governed by a Council consisting of one appointed representative by each member library. The Council elects a president, a vice president, and a secretary. The CLC’s financial operations are accounted for in the Agency Fund of the Grandview Heights Public Library.

Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Library has no explicit and measurable equity interest in the venture. The Library’s only ongoing financial responsibility to the CLC is for participating projects that have been entered into by the Library.

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# 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

Plain City School District Public Library  
Madison County  
305 West Main Street  
Plain City, Ohio 43064

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Plain City School District Public Library, Madison County, Ohio, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 7, 2007, wherein we noted 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*. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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

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

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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.

#### **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 audit committee, management and Board of Trustees. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 7, 2007



**Mary Taylor, CPA**  
Auditor of State

PLAIN CITY SCHOOL DISTRICT PUBLIC LIBRARY

MADISON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 10, 2007