

Alexandria Public Library

Licking County, Ohio

Regular Audit

January 1, 2005 through December 31, 2006

Years Audited Under GAGAS: 2006 and 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Alexandria Public Library  
10 Maple Drive, PO Box 67  
Alexandria, Ohio 43001

We have reviewed the *Independent Auditor's Report* of the Alexandria Public Library, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 to December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 13, 2007

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**Alexandria Public Library**  
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*For the Years Ended December 31, 2006 and 2005*

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Board of Trustees  
Alexandria Public Library  
10 Maple Drive  
Alexandria, Ohio 43001

We have audited the accompanying financial statements of governmental activities and each major fund of the Alexandria Public Library (the Library), as of December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on the 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 *Government Auditing Standards* issued by the Comptroller General of the United States. 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 opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2007 on our consideration of the Library's internal control over financial reporting and on 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.

The Management's Discussion and Analysis on pages 3 and 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Alexandria Public Library  
Independent Auditor's Report  
Page 2

As described in Note 3 to the basic financial statements, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
May 8, 2007



**Alexandria Public Library**  
*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 Alexandria Public Library's 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 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 and 2005 are as follows:

There was an increase in net assets from 2005 to 2006 of \$36,213 and from 2004 to 2005 of \$24,871.

The Library's general receipts are primarily from the State's LLGSF. These receipts represent 88.5 percent, 91.3 percent, and 94.7 percent of the total cash received for governmental activities during 2006, 2005, and 2004, respectively. LLGSF receipts for 2006 did not increase from receipts in 2005.

**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 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.

**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 the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**Alexandria Public Library**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2006 and 2005*  
*Unaudited*

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**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 the cash basis accounting. The statement of net assets – cash-basis presents the cash balances and investments of the governmental activities of the Library at years end. The statement of activities – cash-basis compares cash disbursements with program receipts for each Library 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 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 Library's property tax base, the condition of the Library's capital assets and infrastructure, and the reliance on non-local financial resources for operations.

**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 categorized as governmental funds.

Governmental Funds - 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 the General and Building and Repair Capital Projects Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Alexandria Public Library**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2006 and 2005  
Unaudited

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2006, 2005, and 2004 on the cash basis of accounting:

	<b>Net Assets</b>		
	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$542,306	\$518,031	\$500,289
Investments	248,155	236,217	229,088
<b>Total Assets</b>	<u><u>\$790,461</u></u>	<u><u>\$754,248</u></u>	<u><u>\$729,377</u></u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$127,537	\$131,987	\$138,247
Unrestricted	662,924	622,261	591,130
<b>Total Net Assets</b>	<u><u>\$790,461</u></u>	<u><u>\$754,248</u></u>	<u><u>\$729,377</u></u>

Net assets increased \$36,213 between 2005 and 2006, and \$24,871 between 2004 and 2005. These changes are due to the differences between increased receipts and decreased disbursements.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities.

	<b>Changes in Net Assets</b>		
	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Receipts:</b>			
<b>General Receipts:</b>			
Unrestricted Gifts & Donations	\$835	\$2,826	\$715
Grants and Entitlements Not Restricted to Specific Programs	313,806	313,806	312,089
Interest	29,530	17,843	7,495
Miscellaneous	10,319	9,399	9,718
<b>Total Receipts</b>	<u><u>354,490</u></u>	<u><u>343,874</u></u>	<u><u>330,017</u></u>
<b>Disbursements:</b>			
Library Services	313,827	312,743	306,369
Capital Outlay	4,450	6,260	13,924
<b>Total Disbursements</b>	<u><u>318,277</u></u>	<u><u>319,003</u></u>	<u><u>320,293</u></u>
<b>Change in Net Assets</b>	36,213	24,871	9,724
Net Assets, January 1, 2006	754,248	729,377	719,653
<b>Net Assets, December 31, 2006</b>	<u><u>\$790,461</u></u>	<u><u>\$754,248</u></u>	<u><u>\$729,377</u></u>

Unrestricted Grants and Entitlements (LLGSF) represents 88.5 percent, 91.3 percent, and 94.7 percent of the Library's total receipts for the years ended December 31, 2006, 2005, and 2004, respectively. Other receipts are small and somewhat unpredictable revenue sources.

**Alexandria Public Library**  
*Management's Discussion and Analysis*  
For the Years Ended December 31, 2006 and 2005  
Unaudited

Disbursements for Library Services represents the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of payroll, library materials and information, and purchased and contracted services (building maintenance, IT contracts, and UAN licensing.)

**Governmental Activities**

If you look at the statement of activities – cash-basis on pages 11 and 12, 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 payroll, library materials and information, and purchased and contracted services.

<b>Governmental Activities</b>						
	Total Cost of Services 2006	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2006	Net Cost of Services 2005	Net Cost of Services 2004
Library Services						
Salaries and Benefits	\$176,707	\$185,732	\$174,849	\$176,707	\$185,732	\$174,849
Purchased and Contracted Services	52,746	50,731	52,682	\$52,746	\$50,731	\$52,682
Library Materials and Information	0	0	0	\$0	\$0	\$0
Supplies	0	0	0	\$0	\$0	\$0
Other Objects	84,374	76,280	78,838	\$84,374	\$76,280	\$78,838
Capital Outlay	4,450	6,260	13,924	\$4,450	\$6,260	\$13,924
<b>Total Expenses</b>	<b>\$318,277</b>	<b>\$319,003</b>	<b>\$320,293</b>	<b>\$318,277</b>	<b>\$319,003</b>	<b>\$320,293</b>

**The Library's Funds**

Total governmental funds had receipts of \$354,490 and \$343,874 and disbursements of \$318,277 and \$319,003, for 2006 and 2005, respectively. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$40,663 in 2006 and \$31,131 in 2005, resulting from decreased costs for salaries and increased interest rates on investments.

**General Fund Budgeting Highlights**

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

For 2006, final disbursements were budgeted at \$367,511 while actual disbursements were \$326,268. The Library kept spending very close to budgeted amounts as demonstrated. The result is the increase in fund balance of \$40,663 for 2006.

For 2005, final disbursements were budgeted at \$365,102 while actual disbursements were \$330,034. The Library kept spending very close to budgeted amounts as demonstrated. The result is the increase in fund balance of \$31,131 for 2005.

**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 the LLGSF. Our newly prepared financial forecast predicts a continued LLGSF budget freeze for 2008; therefore, the finance committee and the administration will continue to hold to its current budget.

**Alexandria Public Library**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2006 and 2005*  
*Unaudited*

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Priscilla Horn, Clerk-Treasurer, Alexandria Public Library, 10 Maple Dr., PO Box 67, Alexandria, OH 43001.

**Alexandria Public Library**  
*Statement of Net Assets - Cash Basis*  
*As of December 31, 2006*

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	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$542,306
Investments	<u>248,155</u>
Total Assets	<u>790,461</u>
Net Assets	
Restricted for Capital Projects	127,537
Unrestricted	<u>662,924</u>
Total Net Assets	<u><u>\$790,461</u></u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Net Assets - Cash Basis*  
*As of December 31, 2005*

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	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$518,031
Investments	<u>236,217</u>
Total Assets	<u>754,248</u>
Net Assets	
Restricted for Capital Projects	131,987
Unrestricted	<u>622,261</u>
Total Net Assets	<u><u>\$754,248</u></u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$313,827	\$0	\$0	(\$313,827)
Capital Outlay	4,450	0	0	(4,450)
Total Governmental Activities	\$318,277	\$0	\$0	(318,277)
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				313,806
Unrestricted Grants and Contributions				835
Earnings on Investments				29,530
Miscellaneous				10,319
Total General Receipts				354,490
Change in Net Assets				36,213
Net Assets Beginning of Year				754,248
Net Assets End of Year				\$790,461

See accompanying notes to the basic financial statements.



**Alexandria Public Library**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$312,743	\$0	\$0	(\$312,743)
Capital Outlay	6,260	0	0	(6,260)
Total Governmental Activities	\$319,003	\$0	\$0	(319,003)
General Receipts				
Grants and Entitlements not Restricted to Specific Programs				313,806
Unrestricted Grants and Contributions				2,826
Earnings on Investments				17,843
Miscellaneous				9,399
Total General Receipts				343,874
Change in Net Assets				24,871
Net Assets Beginning of Year				729,377
Net Assets End of Year				\$754,248

See accompanying notes to the basic financial statements.

**Alexandria Public Library**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of December 31, 2006*

	<u>General Fund</u>	<u>Building and Repair Fund</u>	<u>Total</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$414,769	\$127,537	\$542,306
Investments	248,155	0	248,155
<b>Total Assets</b>	<u>662,924</u>	<u>127,537</u>	<u>790,461</u>
<b>Fund Cash Balances</b>			
Reserved			
Reserved for Encumbrances	12,441	0	12,441
Unreserved			
Undesignated, Reported in:			
General Fund	650,483	0	650,483
Capital Projects Fund	0	127,537	127,537
<b>Total Fund Cash Balances</b>	<u>\$662,924</u>	<u>\$127,537</u>	<u>\$790,461</u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of December 31, 2005*

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$386,044	\$131,987	\$518,031
Investments	<u>236,217</u>	<u>0</u>	<u>236,217</u>
Total Assets	<u>622,261</u>	<u>131,987</u>	<u>754,248</u>
Fund Cash Balances			
Reserved			
Reserved for Encumbrances	17,291	0	17,291
Unreserved			
Undesignated, Reported in:			
General Fund	604,970	0	604,970
Capital Projects Fund	<u>0</u>	<u>131,987</u>	<u>131,987</u>
Total Fund Cash Balances	<u>\$622,261</u>	<u>\$131,987</u>	<u>\$754,248</u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Total</u>
Cash Receipts			
Library and Local Government Support	\$313,806	\$0	\$313,806
Patron, Fines and Fees	7,379	0	7,379
Contributions, Gifts and Donations	835	0	835
Earnings on Investments	29,530	0	29,530
Miscellaneous	1,622	0	1,622
Total Cash Receipts	<u>353,172</u>	<u>0</u>	<u>353,172</u>
Cash Disbursements			
Library Services	313,827	0	313,827
Capital Outlay	0	4,450	4,450
Total Cash Disbursements	<u>313,827</u>	<u>4,450</u>	<u>318,277</u>
Cash Receipts Over/(Under) Cash Disbursements	39,345	(4,450)	34,895
Other Financing Receipts			
Proceeds from Sales of Assets	1,318	0	1,318
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	40,663	(4,450)	36,213
Fund Cash Balances Beginning of Year	<u>622,261</u>	<u>131,987</u>	<u>754,248</u>
Fund Cash Balances End of Year	<u>\$662,924</u>	<u>\$127,537</u>	<u>\$790,461</u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Total</u>
Cash Receipts			
Library and Local Government Support	\$313,806	\$0	\$313,806
Patron, Fines and Fees	8,371	0	8,371
Contributions, Gifts and Donations	2,826	0	2,826
Earnings on Investments	17,843	0	17,843
Miscellaneous	240	0	240
Total Cash Receipts	<u>343,086</u>	<u>0</u>	<u>343,086</u>
Cash Disbursements			
Library Services	312,743	0	312,743
Capital Outlay	0	6,260	6,260
Total Cash Disbursements	<u>312,743</u>	<u>6,260</u>	<u>319,003</u>
Cash Receipts Over/(Under) Cash Disbursements	30,343	(6,260)	24,083
Other Financing Receipts			
Proceeds from Sales of Assets	788	0	788
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	31,131	(6,260)	24,871
Fund Cash Balances Beginning of Year	<u>591,130</u>	<u>138,247</u>	<u>729,377</u>
Fund Cash Balances End of Year	<u>\$622,261</u>	<u>\$131,987</u>	<u>\$754,248</u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Receipts, Disbursements and Changes in Fund Balance -  
 Budget and Actual - Budgetary Basis  
 General Fund  
 For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$313,806	\$313,806	\$313,806	\$0
Patron, Fines and Fees	9,500	9,500	7,379	(2,121)
Contributions, Gifts and Donations	2,000	2,000	835	(1,165)
Earnings on Investments	12,000	12,000	29,530	17,530
Miscellaneous	600	600	1,622	1,022
<b>Total Receipts</b>	<b>337,906</b>	<b>337,906</b>	<b>353,172</b>	<b>15,266</b>
Disbursements				
Library Services	358,511	361,163	326,268	34,895
<b>Total Disbursements</b>	<b>358,511</b>	<b>361,163</b>	<b>326,268</b>	<b>34,895</b>
Receipts Over/(Under) Disbursements	(20,605)	(23,257)	26,904	50,161
Other Financing Receipts/(Disbursements)				
Proceeds from Sales of Assets	500	500	1,318	818
Other Financing Disbursements	(9,000)	(6,348)	0	6,348
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(8,500)</b>	<b>(5,848)</b>	<b>1,318</b>	<b>7,166</b>
Excess of Receipts and Other Financing Receipts Over/(Under) Disbursements	(29,105)	(29,105)	28,222	57,327
Fund Balances Beginning of Year	604,969	604,969	604,969	0
Prior Year Encumbrances Appropriated	17,291	17,291	17,291	0
<b>Fund Balances End of Year</b>	<b>\$593,155</b>	<b>\$593,155</b>	<b>\$650,482</b>	<b>\$57,327</b>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*Statement of Receipts, Disbursements and Changes in Fund Balance -  
 Budget and Actual - Budgetary Basis  
 General Fund  
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$325,794	\$325,794	\$313,806	(\$11,988)
Patron, Fines and Fees	9,500	9,500	8,371	(1,129)
Contributions, Gifts and Donations	2,000	2,000	2,826	826
Earnings on Investments	9,000	9,000	17,843	8,843
Miscellaneous	600	600	240	(360)
Total Receipts	<u>346,894</u>	<u>346,894</u>	<u>343,086</u>	<u>(3,808)</u>
Disbursements				
Library Services	<u>347,080</u>	<u>360,276</u>	<u>330,034</u>	<u>30,242</u>
Total Disbursements	<u>347,080</u>	<u>360,276</u>	<u>330,034</u>	<u>30,242</u>
Receipts Over/(Under) Disbursements	(186)	(13,382)	13,052	26,434
Other Financing Receipts/(Disbursements)				
Proceeds from Sales of Assets	400	400	788	388
Other Financing Disbursements	<u>(9,000)</u>	<u>(4,826)</u>	<u>0</u>	<u>4,826</u>
Total Other Financing Receipts/(Disbursements)	(8,600)	(4,426)	788	5,214
Excess of Receipts and Other Financing Receipts Over/(Under) Disbursements	(8,786)	(17,808)	13,840	31,648
Fund Balances Beginning of Year	584,207	584,207	584,207	0
Prior Year Encumbrances Appropriated	<u>6,922</u>	<u>6,922</u>	<u>6,922</u>	<u>0</u>
Fund Balances End of Year	<u><u>\$582,343</u></u>	<u><u>\$573,321</u></u>	<u><u>\$604,969</u></u>	<u><u>\$31,648</u></u>

See the accompanying notes to the financial statements.

**Alexandria Public Library**  
*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 Alexandria Public Library was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Ohio 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 Northridge 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 Alexandria Public Library has no component units.

Separately-audited statements for the Alexandria Public Library are available from Priscilla Horn, Clerk/Treasurer, at the Alexandria Public Library, 10 Maple Drive, Alexandria, Ohio 43001.

The Alexandria Public Library does not participate in any jointly governed organizations or public entity risk pools.

The Friends of the Ohio 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 Alexandria Public Library does not have a Friends Organization.

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



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

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

As discussed further in Note 2.C, the financial statements of the Alexandria Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net assets – cash basis presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program 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 cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Library. The Library had no program receipts during 2006 or 2005.

**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. The Library has no non-major funds.

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

**Building and Repair Fund** - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

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

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

**C. Basis of Accounting**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**D. Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**E. Cash and Cash Equivalents**

Library records identify the purchase of specific investments by specific funds.

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, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio these investments are recorded at cost.

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

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

**E. Cash and Cash Equivalents** (continued)

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2006 and 2005 amounted to \$29,530 and \$17,843, respectively.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

**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. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Library had no advances in and advances out for interfund loans.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Long-Term Obligations**

The Library has no long-term obligations.

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

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

**M. 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. Of the Library's restricted net assets of \$127,537 and \$131,987 at December 31, 2006 and 2005, respectively, none was restricted by enabling legislation.

**N. Fund Balance Reserves**

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Encumbrances are recorded as a reservation of fund balance.

**O. Interfund Transactions**

The Library has no interfund transactions.

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

For the years ended December 31, 2006 and 2005, the Library implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 40 requires additional disclosures related to risks of deposits and investments. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The implementation of GASB Statements No. 40 and 46 had no effect on the Library's beginning fund balances or net assets.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding for years ended December 31, 2006 and 2005 amounted to \$12,441 and \$17,291, respectively, for the general fund. The Library had no outstanding advances for the years ended December 31, 2006 and 2005.

**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.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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 \$150 and \$150 in undeposited cash on hand, respectively, which is \$100 petty cash fund and \$50 change fund included as part of cash and cash equivalents.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in a single financial institution collateral pool at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2006 and 2005, the carrying amounts of all Library deposits were \$542,156 and \$517,881, respectively. At December 31, 2006 and 2005, \$200,000 and \$200,000 of the Library's bank balances of \$568,064 and \$534,238 were covered by Federal Deposit Insurance, respectively. The remaining balances were covered by pooled securities held by the pledging financial institution's trust department but not in the Library's name and therefore, not subject to custodial credit risk.

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

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

Investments

It is the policy of the Library Board of Trustees to invest public funds in a manner which will guarantee the maximum security of those funds, meeting the cash flow demands of the library and the highest investment return while conforming to the Ohio Revised Code.

The Board of Trustees resolved to invest in Certificates of Deposit and STAR Ohio.

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

	<u>Carrying Value</u>	<u>Maturity</u>
2006		
STAR Ohio	\$248,005	Less Than One Year
2005		
STAR Ohio	\$236,217	Less Than One Year

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Library’s investment policy does not address interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the Library’s investment policy, the Library limits its investments to STAR Ohio. 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.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Library’s investment policy allows investments certificates of deposit and STAR Ohio. The Library has invested 100% of its investments in STAR Ohio.

Custodial Credit Risk – 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.

**Note 6 - Risk Management**

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Co	Building	\$1,235,500
	Business Personal Property	818,000
	General Liability	1,000,000
	Fidelity and Deposit	10,000
	Treasurer’s Bond	25,000
France and Associates	Legal Liability	1,000,000

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

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**Note 6 - Risk Management** (continued)

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

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

**Note 7 - Defined Benefit Pension Plan**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the years ended December 31, 2006 and 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 and 2005 was 13.70 percent and 13.55 percent, respectively. 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 \$34,799, \$33,506 and \$33,236, respectively; the full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 and 2005 were \$21,002 and \$20,590, respectively, made by the Library and \$13,797 and \$12,916, respectively, made by the plan members.

**Note 8 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rates were 13.70 percent and 13.55 percent, respectively, of covered payroll; 4.50 percent and 4.00 percent, respectively, of covered payroll was the portion that was used to fund health care.

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

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**Note 8 - Postemployment Benefits** (continued)

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, 2005, include a rate of return on investments of 6.50 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 0.50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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 369,214 for 2006. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$11,431 and \$11,007, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. OPERS Health Care fund was segregated from the Pension fund in 2005 and now stands at \$12 billion per OPERS Facts At-a-Glance Sept. 2006 publication.

**Note 9 – 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 revenue the Library receives.



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Ohio Society of Certified Public Accountants

## **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***

Board of Trustees  
Alexandria Public Library  
10 Maple Drive  
Alexandria, Ohio 43001

We have audited the financial statements of the governmental activities and each major fund of the Alexandria Public Library (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 8, 2007, wherein we noted the Library followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America, and in which we indicated that the Library implemented GASB Statements No. 40 and 46. We conducted our audits 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.

### 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, regulation, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no material 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 the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
May 8, 2007



Mary Taylor, CPA  
Auditor of State

ALEXANDRIA 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