

**GERMANTOWN PUBLIC LIBRARY  
MONTGOMERY COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Germantown Public Library  
51 North Plum Street  
Germantown, Ohio 45327

We have reviewed the *Independent Auditors' Report* of the Germantown Public Library, Montgomery County, prepared by Bastin & Company, LLC, for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 8, 2007

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**GERMANTOWN PUBLIC LIBRARY  
MONTGOMERY COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Germantown Public Library

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Germantown Public Library (the Library), Montgomery County, Ohio as of and for the year ended December 31, 2006, 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 *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 opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis, which is a comprehensive basis of accounting 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, each major fund, and the aggregate remaining fund information of the Germantown Public Library, Montgomery County, Ohio as of December 31, 2006 and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

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.

*Bastin & Company, LLC*

Cincinnati, Ohio  
March 23, 2007

Germantown Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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This discussion and analysis of the Germantown Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, 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 increased \$169,113, or 16.4 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Capital Projects Fund. A total of \$100,000 was transferred into this fund during the year from the General Fund. These funds represented the allocation of unrestricted receipts in the General Fund which were transferred to the Capital Projects Fund to be used for future building renovation.
- The Library's general receipts are primarily from Local Library Government Support Fund (LLGSF), a portion of state income taxes. These receipts represent 92.0 percent of the total cash received for governmental activities during the year, and were frozen at 2005 levels as mandated by state law.
- Disbursements, excluding transfers, were 4.5% less than in 2005, primarily do to decreases in salaries and benefits and in purchased and contracted services.

**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 Germantown Public 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 Germantown Public 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.



Germantown Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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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 Germantown Public Library as a Whole**

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

The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. 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 Germantown Public 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 Germantown Public Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue source, state income tax.

In the Statement of Net Assets and the Statement of Activities, the Library presents its activities as governmental activities:

Governmental activities. All of the Library's basic services are reported here. State income tax receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Germantown Public 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.

Governmental Funds – All of the Germantown Public Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library has two major funds – the General Fund and the Capital Projects Fund.

Germantown Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Germantown Public Library as a Whole**

Table 1 provides a summary of the Library's Net Assets for 2006 on a modified cash basis compared to 2005.

(Table 1)  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$ 948,614	\$ 791,441
Investments	251,196	239,256
<b>Total Assets</b>	<b>\$ 1,199,810</b>	<b>\$ 1,030,697</b>
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$ 761,234	\$ 630,742
Other Purposes	16,029	15,696
Unrestricted	422,547	384,259
<b>Total Net Assets</b>	<b>\$ 1,199,810</b>	<b>\$ 1,030,697</b>

As mentioned previously, net assets of governmental activities increased \$ 169,113 or 16.4 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Earnings on investments increased significantly in 2006
- Salaries and benefits expenses decreased 2.5 percent in 2006 due to retirements and attrition
- Purchased and contracted services decreases 9.9 percent due to cost sharing initiatives and moving previously contracted services in house.

Germantown Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Table 2 reflects the Changes in Net Assets in 2006 in comparison with 2005.

(Table 2)  
**Changes In Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$18,748	\$17,566
Operating Grants and Contributions	4,500	-
Total Program Receipts	<u>\$23,248</u>	<u>\$17,566</u>
General Receipts:		
Unrestricted Gifts and Contributions	540	836
Grants and Entitlements Not Restricted to Specific Programs	854,281	854,281
Interest	48,790	23,527
Miscellaneous	1,851	3,691
Total General Receipts	<u>905,462</u>	<u>882,335</u>
 Total Receipts	 <u>928,710</u>	 <u>899,901</u>
 Disbursements:		
Library Services	759,597	794,990
Total Disbursements	<u>759,597</u>	<u>794,990</u>
 Increase in Net Assets	 169,113	 104,911
 Net Assets, January 1	 1,030,697	 925,786
Net Assets, December 31	<u><u>\$1,199,810</u></u>	<u><u>\$1,030,697</u></u>

Program receipts represent only 2.5 percent of total receipts and are primarily comprised of patron fines and fees and charges for copies and printed material.

General receipts represent 97.5 percent of the Library's total receipts, and of this amount, over 94 percent from state funding. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other library activities. These include the salaries, library materials and supplies, contracted services and maintenance expenses.

Germantown Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2006  
 Unaudited

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**Governmental Activities**

If you look at the Statement of Activities for 2006 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. 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 local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3 for 2006.

(Table 3)  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Library Services	\$ 759,597	\$ 794,990	\$ 736,349	\$ 777,424
<b>Total Governmental Activities</b>	<b>\$ 759,597</b>	<b>\$ 794,990</b>	<b>\$ 736,349</b>	<b>\$ 777,424</b>

The Library relies heavily upon LLGSF receipts to support its governmental activities.

**The Germantown Public Library's Funds**

Total governmental funds had receipts of \$928,710 and disbursements of \$759,597. The greatest change within governmental funds occurred within the Capital Projects Fund. The General Fund balance increased by \$36,448 primarily due to cost cutting measures. The Capital Projects Fund balance increased by \$132,332, primarily as a result of a transfer of funds from the General Fund to the Capital Projects Fund. These funds represent the allocation of unrestricted receipts collected in the General Fund transferred to the Capital Projects Fund to be used for future building renovations.

Before the transfer, General Fund receipts were \$136,448 greater than disbursements. This was due to cost reduction measures undertaken by management in light of the uncertainties in future state funding, and in anticipation of a major renovation capital project in 2007.

The following table summarizes fund balance changes over the year:

	Fund Balance <u>12/31/05</u>	Fund Balance <u>12/31/06</u>	Increase <u>(Decrease)</u>
General Fund	\$ 384,259	\$ 420,707	\$ 36,488
Capital Projects Fund	630,742	763,074	132,332
Other Governmental Funds	<u>15,696</u>	<u>16,029</u>	<u>333</u>
Total	<u>\$ 1,030,697</u>	<u>\$ 1,199,810</u>	<u>\$ 169,113</u>

Germantown Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**General Fund Budgeting Highlights**

The Germantown Public 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.

Final actual receipts of the General Fund were 2.2 percent higher than budgeted receipts, due to higher income on investments.

Final disbursements for the General Fund were budgeted at \$864,164 while actual disbursements before transfers were \$783,316. Spending cuts were instituted in all areas due to uncertainty of future state funding and in anticipation of a building renovation project to be undertaken in 2007.

**Capital Assets and Debt Administration**

Capital Assets

The Germantown Public Library does not report capital assets.

Debt

The Germantown Public Library has no debt.

**Current Issues**

The challenge for the Germantown Public Library is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely almost exclusively on state funding. Ohio law sets library funding as a fixed percent (5.7%) of state income tax receipts. However, since the 2001 biennium budget, libraries have been off formula, and funding has been set at some arbitrary amount by the state legislature. The committee established by the legislature has recommended a new funding formula that should not decrease future funding, and this recommendation has been endorsed by the governor-elect. Since the future of state funding is facing statutory change, this is a major area of uncertainty about the future of the library.

The Germantown Public Library has instigated the planning phases of a major building renovation and remodeling project. The design plans are being finalized, and this project will begin during 2007. It will take approximately 12 to 18 months to complete. The completion of this project will require the use of the entire Capital Projects fund and also require that the library obtain additional debt financing.

**Contacting the Germantown Public Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Germantown Public 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 Patricia L. Schaeff, Clerk-Treasurer, Germantown Public Library, 51 North Plum Street, Germantown, Ohio 45427

**Germantown Public Library**  
**Montgomery County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 948,614
Investments	251,196
<i>Total Assets</i>	<i>\$ 1,199,810</i>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 763,074
Permanent Fund Purpose	
Expendable	1,029
Nonexpendable	15,000
Unrestricted	420,707
<i>Total Net Assets</i>	<i>\$ 1,199,810</i>

See accompanying notes to the basic financial statements

**Germantown Public Library**  
**Montgomery County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Library Services	\$ 759,597	\$ 18,748	\$ 4,500	\$ (736,349)
<i>Total Governmental Activities</i>	<u>\$ 759,597</u>	<u>\$ 18,748</u>	<u>\$ 4,500</u>	<u>\$ (736,349)</u>
		<b>General Receipts</b>		
		Unrestricted Gifts and Contributions		540
		Grants and Entitlements Not Restricted to Specific Programs		854,281
		Earnings on Investments		48,790
		Miscellaneous		1,851
		<i>Total General Receipts</i>		905,462
		Change in Net Assets		169,113
		<i>Net Assets Beginning of Year</i>		1,030,697
		<i>Net Assets End of Year</i>		<u>\$ 1,199,810</u>

See accompanying notes to the basic financial statements

**Germantown Public Library**  
**Montgomery County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Capital Project	Other Governmental	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 332,883	\$ 599,702	\$ 16,029	\$ 948,614
Investments	89,664	161,532	-	251,196
<i>Total Assets</i>	<u>\$ 422,547</u>	<u>\$ 761,234</u>	<u>\$ 16,029</u>	<u>\$ 1,199,810</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 24,101	\$ -	\$ -	\$ 24,101
Reserved for Permanent Fund Purposes	-	-	15,000	15,000
Unreserved:				
Undesignated, Reported in:				
General Fund	396,606	-	-	396,606
Capital Project Fund	-	763,074	-	763,074
Permanent Funds	-	-	1,029	1,029
<i>Total Fund Balances</i>	<u>\$ 420,707</u>	<u>\$ 763,074</u>	<u>\$ 16,029</u>	<u>\$ 1,199,810</u>

See accompanying notes to the basic financial statements



**Germantown Public Library**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2006*

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Total Governmental Fund Balances	<u>\$ 1,199,810</u>
Net Assets of Governmental Activities	<u>\$ 1,199,810</u>

See accompanying notes to the basic financial statements

**Germantown Public Library  
Montgomery County**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	General	Capital Project	Other Governmental	Total Governmental Funds
<b>Receipts</b>				
Library and Local Government Support	\$ 854,281	\$ -	\$ -	\$ 854,281
Patron, Fines and Fees	18,748	-	-	18,748
Contributions, Gifts and Donations	5,040	-	-	5,040
Earnings on Investments	15,743	32,332	715	48,790
Miscellaneous	1,851	-	-	1,851
<i>Total Receipts</i>	<u>895,663</u>	<u>32,332</u>	<u>715</u>	<u>928,710</u>
<b>Disbursements</b>				
Current:				
Library Services	759,215	-	382	759,597
<i>Total Disbursements</i>	<u>759,215</u>	<u>-</u>	<u>382</u>	<u>759,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>136,448</u>	<u>32,332</u>	<u>333</u>	<u>169,113</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>36,448</u>	<u>132,332</u>	<u>333</u>	<u>169,113</u>
<i>Fund Balances Beginning of Year</i>	<u>384,259</u>	<u>630,742</u>	<u>15,696</u>	<u>1,030,697</u>
<i>Fund Balances End of Year</i>	<u>\$ 420,707</u>	<u>\$ 763,074</u>	<u>\$ 16,029</u>	<u>\$ 1,199,810</u>

See accompanying notes to the basic financial statements

**Germantown Public Library, Montgomery County**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2006*

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Net Change in Fund Balances - Total Governmental Funds	<u>\$ 169,113</u>
Change in Net Assets of Governmental Activities	<u>\$ 169,113</u>

See accompanying notes to the basic financial statements

**Germantown Public Library, Montgomery County**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Library and Local Government Support	\$ 884,780	\$ 854,281	\$ 854,281	\$ -
Patron, Fines and Fees	17,500	17,500	18,748	1,248
Contributions, Gifts and Donations	-	-	5,040	5,040
Earnings on Investments	3,500	3,500	15,743	12,243
Miscellaneous	1,000	1,000	1,851	851
<i>Total receipts</i>	<u>906,780</u>	<u>876,281</u>	<u>895,663</u>	<u>19,382</u>
<b>Disbursements</b>				
Current:				
Library Services	<u>864,164</u>	<u>864,164</u>	<u>783,316</u>	<u>80,848</u>
<i>Total Disbursements</i>	<u>864,164</u>	<u>864,164</u>	<u>783,316</u>	<u>80,848</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	42,616	12,117	112,347	100,230
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(100,000)	(100,000)	(100,000)	-
Other Financing Uses	<u>(11,836)</u>	<u>(11,836)</u>	<u>-</u>	<u>11,836</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(111,836)</u>	<u>(111,836)</u>	<u>(100,000)</u>	<u>11,836</u>
<i>Net Change in Fund Balance</i>	(69,220)	(99,719)	12,347	112,066
<i>Fund Balance Beginning of Year</i>	<u>384,259</u>	<u>384,259</u>	<u>384,259</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 315,039</u>	<u>\$ 284,540</u>	<u>\$ 396,606</u>	<u>\$ 112,066</u>

See accompanying notes to the basic financial statements

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

The Germantown Public Library was organized 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 Valley View 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 Valley View 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 Valley View 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 Valley View Board of Education.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library, and are significant in amount to the Library. The library has no component units.

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

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

As discussed further in Note 2.C, 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. 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.

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions

The statement of net assets presents the cash balance of the governmental activity 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 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, 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. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

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

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.

Capital Projects Fund - The Capital Projects Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

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

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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C. Basis of Accounting

The Library's financial statements are prepared using the modified 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. 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 relative revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds of the Library are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Library may appropriate.

The appropriations ordinance is the Library's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended 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 on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Library.

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

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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, the Library invested in STAR Ohio.

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.

Interest receipts are allocated to Library funds according to State statutes, grant requirements or debt related restrictions. Interest receipts credited to the General Fund during 2006 amounted to \$15,743. Interest receipts credited to the Capital Projects Fund during 2006 amounted to \$32,332. Interest receipts credited to the Permanent Funds during 2006 amounted to \$715.

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.

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. Inter-fund Transactions

The Library had the following Inter-fund Transfers in 2006:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General	Capital Projects	\$100,000

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund 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.



**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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 modified 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'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.

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.

The Library's policy is to first apply restricted resources when an obligation is incurred for purpose for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balances indicates that portion of the fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and permanent funds.

**Note 3 - 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 modified cash basis is that outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$24,101 for the General Fund.

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 4 - Deposits and Investments**

State statutes classify monies held by the Library into three categories.

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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will be held to maturity. Investments may only be made through specified dealers and institutions.

A. 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 year end, \$1,032,479 of the Library's bank balance of \$1,232,479 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department of agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposit in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2006, the Library had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$251,196	Average

*Credit Risk:* 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.

*Interest Rate Risk:* State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and that an investment be purchased with the expectation that it will be held to maturity. STAR Ohio is a short-term investment that is not subject to interest penalties on maturity issues.

*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. 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 5 - 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.

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**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, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Ohio Casualty Group	Commercial Property	\$1,678,311
	General Liability	1,000,000
	Inventory/Collection	2,990,000
	Computer Equipment	100,000
Utica National Insurance Group	Errors and Omissions	300,000
	Auto-Owners Insurance Co.	100,000

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

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

**Note 7 - Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 9.2 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 \$40,329, \$42,738, and \$39,168 respectively; all of which have been contributed.

**Germantown Public Library**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 8 - Post Employment 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 Post-employment 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 13.7 percent of covered payroll; 4.5 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, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 6.0 percent annually for the next nine years and 4.0 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. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$19,725. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial 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 (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 - Leases**

The Library leases equipment and computer server services under non-cancelable leases. The Library disbursed \$23,082 in 2006 towards these leased items. The following schedule represents lease commitments:

<u>Year</u>	<u>Amount</u>
2007	\$23,082
2008	23,082
2009	23,082
2010	24,926
2011	24,926
Total	<u>\$119,098</u>

# Bastin & Company, LLC

*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***

To the Board of Trustees  
Germantown Public Library

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Germantown Public Library, (the Library), Montgomery County, Ohio as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated March 23, 2007. For the year ended December 31, 2006, the Library prepared its financial statements on the modified cash accounting basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Bastin & Company, LLC*

Cincinnati, Ohio  
March 23, 2007







**Mary Taylor, CPA**  
Auditor of State

**GERMANTOWN PUBLIC LIBRARY**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 22, 2007**