



Mary Taylor, CPA
Auditor of State

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
2006 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2006.....	11
Statement of Activities – Cash Basis For the Year Ended December 31, 2006	12
2006 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2006	13
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006	15
2005 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2005.....	16
Statement of Activities – Cash Basis For the Year Ended December 31, 2005	17
2005 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2005	18
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005	19
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	20
Notes to the Basic Financial Statements.....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Carnegie Public Library
Fayette County
127 South North Street
Washington Court House, Ohio 43160

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carnegie Public Library, Fayette County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Carnegie Public Library, Fayette County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2006 and 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

December 6, 2007

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

This discussion and analysis of the 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:

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF). These receipts represent 92% of the total cash received in the General Fund during 2006 and 95% in 2005. LLGSF Funds remained frozen, with \$1,049,951 received each year.

In 2006, several major projects were accomplished:

- Demolition of the residential house located on library property
- Repair of the heating/air conditioning system at the main library
- Upgrade of the network server
- Purchase of two new microfilm readers
- Purchase of new spine labeling system

In 2005, a Patron Survey was conducted. Compared with twenty-one other Ohio public libraries, the Carnegie Public Library scored in the 95th percentile for customer service and in the 99th percentile for technology. The information collected was used in the determination of long range goals which will most adequately serve the public. Also, in 2005, \$400,000 was received from the Carl Franklin estate and placed into the non-expendable Permanent Fund. The receipt of this donation significantly increased the Library's net assets.

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.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a 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.

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

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

Reporting the Government'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.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

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

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2006 and 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$1,467,193	\$1,372,864
Total Assets	\$1,467,193	\$1,372,864
 Net Assets		
Restricted for:		
Capital Project	\$567,878	\$467,878
Permanent Fund	410,000	410,000
Unrestricted	489,315	494,986
Total Net Assets	\$1,467,193	\$1,372,864

Net assets of governmental activities in 2006 increased \$94,329 or 6% over 2005. The primary reasons contributing to this minimal change in cash balances are as follows:

- Library and Local Government Support Fund (LLGSF) remained frozen.
- The minimal increase is also attributed, in part, to the Library's conscious efforts to minimize spending in light of unforeseen reductions in future local government funding.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

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

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	22,268	21,633	635
Operating Grants and Contributions	10,985	4,179	6,806
Capital Grants and Contributions			0
Total Program Receipts	<u>33,253</u>	<u>25,812</u>	<u>7,441</u>
General Receipts:			
LLGSF	1,049,951	1,049,951	0
Unrestricted Gifts and Contributions	131	101	30
Restricted Donation to Permanent Fund	0	400,000	(400,000)
Interest	62,621	29,955	32,666
Miscellaneous	2,486	2,998	(512)
Total General Receipts	<u>1,115,189</u>	<u>1,483,005</u>	<u>(367,816)</u>
Total Receipts	<u>1,148,442</u>	<u>1,508,817</u>	<u>(360,375)</u>
Disbursements:			
Library Services:			
Public Service and Programs	441,262	415,467	25,795
Collection Development and Processing	118,549	137,499	(18,950)
Support Services:			
Facilities Operation and Maintenance	102,684	108,302	(5,618)
Information Services	27,064	15,628	11,436
Business Administration	298,813	273,467	25,346
Capital Outlay	65,741	28,647	37,094
Debt Service:			
Interest and Fiscal Charges			0
Financing Fees and Costs			0
Total Disbursements	<u>1,054,113</u>	<u>979,010</u>	<u>75,103</u>
Excess (Deficiency) Before Transfers	94,329	529,807	(435,478)
Transfers			0
Increase (Decrease) in Net Assets	<u>94,329</u>	<u>529,807</u>	<u>(435,478)</u>
Net Assets, Beginning of Year	<u>1,372,864</u>	<u>843,057</u>	<u>529,807</u>
Net Assets, End of Year	<u>1,467,193</u>	<u>1,372,864</u>	<u>94,329</u>

In 2006, Program receipts represent only 2.8 percent of total receipts. In 2005, Program receipts represent 1.7 percent of the total. Program receipts are primarily comprised of charges for patron sales and services, such as fines and fees and coin-operated machine income.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

In 2006, General receipts represent 97 percent of the Library's total receipts, and of this amount, 94 percent is from the Library and Local Government Support Fund. Interest income, rental income, and unrestricted donations make up the balance of the Library's general receipts (6 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2005, General receipts represent 98 percent of the Library's total receipts, and of this amount 70 percent is from the Library and Local Government Support fund. Also, a restricted donation of \$400,000 to the non-expendable Permanent Fund was received from the Carl Franklin estate, which accounts for 27 percent of the general receipts for 2005. Interest and rental income make up 2 percent of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library services represent the overhead costs of running the Library and the support services provided for other Library activities. The costs include maintaining two buildings, purchasing and processing books and other materials, presenting programs for all age groups, providing internet services and providing other information related services. Disbursements in 2006 toward Capital Outlay were greater than those in 2005, due to the accomplishment of several major projects, including the demolition of the residential house located on library property, repair of the heating/air conditioning system at the main library, upgrade of the network server, purchase of two new microfilm readers, and purchase of a new spine labeling system.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and contributions 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.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

(Table 3)
Governmental Activities

	Total Cost Of Services 2006	Net Cost Of Services 2006	Total Cost Of Services 2005	Net Cost Of Services 2005
Library Services:				
Public Service and Programs	\$441,262	\$408,009	\$415,467	\$389,655
Collection Development and Processing	118,549	118,549	137,499	137,499
Support Services:				
Facilities Operation and Maintenance	102,684	102,684	108,302	108,302
Information Services	27,064	27,064	15,628	15,628
Business Administration	298,813	298,813	273,467	273,467
Capital Outlay	65,741	65,741	28,647	28,647
Debt Service:				
Principal Retirement				
Interest and Fiscal Charges				
Financing Fees and Costs				
Total Expenses	\$1,054,113	\$1,020,860	\$979,010	\$953,198

The dependence upon Library and Local Government Support Funding is apparent as over 94 percent of governmental activities in both years are supported through these general receipts, not including the restricted donation to the Permanent Fund.

The Library's Funds

In 2006, total governmental funds had receipts of \$1,148,442 and disbursements of \$1,054,113. In 2005, total governmental funds had receipts of \$1,508,817 and disbursements of \$979,010. In 2005, the balance of the Permanent Fund increased by \$400,000 with the receipt of a non-expendable donation from the Carl Franklin estate. The balance of the Building and Repair Fund increased by \$100,000 each year, due to board-approved transfers from the General Fund. The fund balance of the General Fund decreased in 2006 \$5,671 (1%) and increased in 2005 \$29,807 (6%).

In 2006, General Fund receipts were more than disbursements by \$94,329. In 2005, General Fund receipts were more than disbursements by \$129,807.

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.

CARNEGIE PUBLIC LIBRARY, FAYETTE COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005

During 2006 and 2005, amendments to the Library's General Fund budget were insignificant. Actual receipts were above the budget amount by 4 percent in 2006 and were slightly below the budget amount by 1.5 percent in 2005. In 2006, final disbursements were budgeted at \$1,594,877 while actual disbursements were \$1,091,187. In 2005, final disbursements were budgeted at \$1,591,407, while actual disbursements were \$1,003,458.

Capital Assets and Debt Administration

Capital Assets

The Library does not report capital assets under the cash basis of accounting.

Debt

The Library had no debt during the period January 1, 2005 through December 31, 2006.

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 Library and Local Government Support Fund. Our newly prepared financial budget predicts a continuing carryover of cash for 2008; however, the administration has implemented a strategy to decrease spending in the wake of frozen revenue. Plans for 2008 include the renovation of the main Library building, originally constructed in 1903.

Contacting the Government's Financial Management

This financial report is designed to provide our taxpayers and patrons 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 Susan A. Maurer, Clerk-Treasurer, Carnegie Public Library, 127 South North Street, Washington Court House, Ohio 43160.

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**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,467,193</u>
Total Assets	<u><u>\$1,467,193</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$567,878
Permanent Fund Purpose	
Nonexpendable	410,000
Unrestricted	<u>489,315</u>
Total Net Assets	<u><u>\$1,467,193</u></u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

**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 and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	441,262	22,268	1,035
Collection Development and Processing	118,549		(\$417,959)
Support Services:			
Facilities Operation and Maintenance	102,684		(118,549)
Information Services	27,064	9,950	(102,684)
Business Administration	298,813		(17,114)
Capital Outlay	65,741		(298,813)
Total Governmental Activities	<u>\$1,054,113</u>	<u>\$22,268</u>	<u>\$10,985</u>
			<u>(1,020,860)</u>
	General Receipts		
			1,049,951
			131
			62,621
			2,486
			<u>1,115,189</u>
			94,329
			<u>1,372,864</u>
			<u>\$1,467,193</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	<u>General</u>	<u>Building & Repair Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$489,315	\$567,878	\$410,000	\$1,467,193
Total Assets	<u>\$489,315</u>	<u>\$567,878</u>	<u>\$410,000</u>	<u>\$1,467,193</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	27,024			27,024
Reserved for Permanent Fund (Non-Expendable Portion)			410,000	410,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	462,291			462,291
Building & Repair Fund		567,878		567,878
Total Fund Balances	<u>\$489,315</u>	<u>\$567,878</u>	<u>\$410,000</u>	<u>\$1,467,193</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	General	Building & Repair Fund	Permanent Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Library & Local Government Support Fund	\$1,049,951				\$1,049,951
Patron Fines and Fees	22,268				\$22,268
Contributions, Gifts and Donations	1,166				\$1,166
Earnings on Investments	62,621				\$62,621
Miscellaneous	2,486				\$2,486
Grants	0		0	9,950	9,950
<i>Total Receipts</i>	<u>1,138,492</u>	<u>0</u>	<u>0</u>	<u>9,950</u>	<u>1,148,442</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	441,262				441,262
Collection Development and Processing	118,549				118,549
Support Services:					
Facilities Operation and Maintenance	102,684				102,684
Information Services	17,114			9,950	27,064
Business Administration	298,813				298,813
Capital Outlay	65,741				65,741
<i>Total Disbursements</i>	<u>1,044,163</u>	<u>0</u>	<u>0</u>	<u>9,950</u>	<u>1,054,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>94,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,329</u>
Other Financing Sources (Uses)					
Transfers In		100,000			100,000
Transfers Out	(100,000)	0			(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(5,671)	100,000	0	0	94,329
<i>Fund Balances Beginning of Year</i>	<u>494,986</u>	<u>467,878</u>	<u>410,000</u>		<u>1,372,864</u>
<i>Fund Balances End of Year</i>	<u>\$489,315</u>	<u>\$567,878</u>	<u>\$410,000</u>	<u>\$0</u>	<u>\$1,467,193</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library & Local Government Support	\$1,049,951	\$1,049,951	\$1,049,951	\$0
Patron Fines and Fees	23,500	23,500	22,268	(1,232)
Contributions, Gifts and Donations	2,000	2,000	1,166	(834)
Earnings on Investments	20,440	20,440	62,621	42,181
Miscellaneous	4,000	4,000	2,486	(1,514)
<i>Total receipts</i>	<u>1,099,891</u>	<u>1,099,891</u>	<u>1,138,492</u>	<u>38,601</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	502,782	502,182	448,458	53,724
Collection Development and Processing	155,782	155,782	121,906	33,876
Support Services:				
Facilities Operation and Maintenance	144,381	144,787	106,264	38,523
Information Services	20,000	19,400	19,014	386
Business Administration	330,752	331,796	303,729	28,067
Capital Outlay	441,180	440,930	71,816	369,114
<i>Total Disbursements</i>	<u>1,594,877</u>	<u>1,594,877</u>	<u>1,071,187</u>	<u>523,690</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(494,986)</u>	<u>(494,986)</u>	<u>67,305</u>	<u>562,291</u>
Other Financing Sources (Uses)				
Transfers Out			(100,000)	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
<i>Net Change in Fund Balance</i>	(494,986)	(494,986)	(32,695)	462,291
<i>Fund Balance Beginning of Year</i>	475,735	475,735	470,538	(5,197)
Prior Year Encumbrances Appropriated	19,251	19,251	24,448	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$462,291</u>	<u>\$457,094</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,372,864</u>
<i>Total Assets</i>	<u><u>1,372,864</u></u>
Net Assets	
Restricted for:	
Capital Projects	467,878
Permanent Fund Purpose	
Nonexpendable	410,000
Unrestricted	<u>494,986</u>
Total Net Assets	<u><u>\$1,372,864</u></u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

**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 and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	415,467	21,633	4,179
Collection Development and Processing	137,499		(\$389,655)
Support Services:			
Facilities Operation and Maintenance	108,302		(137,499)
Information Services	15,628		(108,302)
Business Administration	273,467		(15,628)
Capital Outlay	28,647		(273,467)
<i>Total Governmental Activities</i>	<u>\$979,010</u>	<u>\$21,633</u>	<u>\$4,179</u>
General Receipts			
			1,049,951
			101
			29,955
			400,000
			2,998
			<u>1,483,005</u>
			529,806
			<u>843,057</u>
			<u>\$1,372,864</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	General	Building & Repair Fund	Permanent Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$494,986	\$467,878	\$410,000	\$1,372,864
<i>Total Assets</i>	<u>\$494,986</u>	<u>\$467,878</u>	<u>\$410,000</u>	<u>\$1,372,864</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	24,448			24,448
Reserved for Permanent Fund (Non-Expendable Portion)			410,000	410,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	470,538			470,538
Building & Repair Fund		467,878		467,878
<i>Total Fund Balances</i>	<u>\$494,986</u>	<u>\$467,878</u>	<u>\$410,000</u>	<u>\$1,372,864</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	General	Building & Repair Fund	Permanent Fund	Total Governmental Funds
Receipts				
Library & Local Government Support Fund	\$1,049,951			\$1,049,951
Patron Fines and Fees	21,633			21,633
Contributions, Gifts and Donations	4,280		400,000	404,280
Earnings on Investments	29,955			29,955
Miscellaneous	2,998			2,998
<i>Total Receipts</i>	<u>1,108,817</u>	<u>0</u>	<u>400,000</u>	<u>1,508,817</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	415,467			415,467
Collection Development and Processing	137,499			137,499
Support Services:				
Facilities Operation and Maintenance	108,302			108,302
Information Services	15,628			15,628
Business Administration	273,467			273,467
Capital Outlay	28,647			28,647
<i>Total Disbursements</i>	<u>979,010</u>	<u>0</u>	<u>0</u>	<u>979,010</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>129,807</u>	<u>0</u>	<u>400,000</u>	<u>529,807</u>
Other Financing Sources (Uses)				
Transfers In		100,000		100,000
Transfers Out	(100,000)	0		(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	29,807	100,000	400,000	529,807
<i>Fund Balances Beginning of Year</i>	<u>465,179</u>	<u>367,878</u>	<u>10,000</u>	<u>843,057</u>
<i>Fund Balances End of Year</i>	<u>\$494,986</u>	<u>\$467,878</u>	<u>\$410,000</u>	<u>\$1,372,864</u>

See accompanying notes to the basic financial statements

**CARNEGIE PUBLIC LIBRARY
FAYETTE COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library & Local Government Support	\$1,088,728	\$1,088,728	\$1,049,951	(\$38,777)
Patron Fines and Fees	23,500	23,500	21,633	(1,867)
Contributions, Gifts and Donations	1,000	1,000	4,280	3,280
Earnings on Investments	10,000	10,000	29,955	19,955
Miscellaneous	3,000	3,000	2,998	(2)
<i>Total receipts</i>	<u>1,126,228</u>	<u>1,126,228</u>	<u>1,108,817</u>	<u>(17,411)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	483,856	483,856	423,729	60,127
Collection Development and Processing	162,866	162,866	140,781	22,085
Support Services:				
Facilities Operation and Maintenance	137,773	137,773	108,543	29,230
Information Services	19,000	19,000	15,628	3,372
Business Administration	331,948	331,948	278,141	53,807
Capital Outlay	455,964	455,964	36,636	419,328
<i>Total Disbursements</i>	<u>1,591,407</u>	<u>1,591,407</u>	<u>1,003,458</u>	<u>587,949</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(465,179)</u>	<u>(465,179)</u>	<u>105,359</u>	<u>570,538</u>
Other Financing Sources (Uses)				
Transfers Out			(100,000)	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>
<i>Net Change in Fund Balance</i>	(465,179)	(465,179)	5,359	470,538
<i>Fund Balance Beginning of Year</i>	454,765	454,765	454,765	0
Prior Year Encumbrances Appropriated	10,414	10,414	10,414	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$470,538</u>	<u>\$470,538</u>

See accompanying notes to the basic financial statements

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Description of the Library and Reporting Entity

The Carnegie Public Library was organized as a municipal public library in 1891 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the City of Washington. Appointments are for four 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 City of Washington, although the City serves in a ministerial capacity as the taxing authority for the Library.

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

Note 2 - Summary of Significant Accounting Policies

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

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 presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and 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 cash basis or draws from the Library's general receipts.

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from library and local government receipts, 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.

Permanent Fund - The Permanent Fund accounts for the endowment the Library received.

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

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the major category of the object code level for all funds. The Clerk/Treasurer maintains budgetary information at the fund and object levels. Budgetary modifications beyond the major category of the object code level may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue 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

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 (contra revenue), respectively.

During 2006 and 2005, investments were limited to STAR Ohio and nonnegotiable certificates of deposit.

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.

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 - Summary of Significant Accounting Policies (continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$61,881. Interest revenue credited to the general fund during 2005 amounted to \$25,515.

F. 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.

G. 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.

H. Net Assets

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

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

I. Interfund Transactions

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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – 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 for the general fund is presented 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 are outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end 2006 (budgetary basis) amounted to \$27,024 for the general fund. The encumbrances outstanding at year end 2005 (budgetary basis) amounted to \$24,448.

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 4 - Deposits and Investments

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

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

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

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

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).

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 4 - Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$60 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$709,352 of the Library's bank balance of \$919,352 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or 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 deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

	<u>Carrying Value</u>
STAR Ohio	<u>562,493</u>
Total Investments	<u>\$ 562,493</u>

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.

**Carnegie Public Library
Fayette County**

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

Note 5 - 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:

Type of Coverage	Coverage
Commercial Property-Bldg	\$3,954,000
Commercial Property-Personal	\$1,208,000
Vehicle	\$1,000,000
Errors and Omissions	\$1,000,000
Equipment Breakdown	\$2,957,381

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 6 – Library and Local Government Support Fund

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

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

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 7 - Defined Benefit Pension Plan (continued)

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 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 and 2005 was 13.70 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 OPERS for the years ended December 31, 2006, 2005, and 2004 were \$67,606, \$63,401 and \$62,269 respectively; At year end, 93 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$20,448. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

Carnegie Public Library
Fayette County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 9 – Interfund Transfers

In 2006, the general fund transferred \$100,000 to the building and repair capital projects fund. In 2005, the general fund transferred \$100,000 to the building and repair capital projects fund. These transfers are eliminated in the Statement of Activities.

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Mary Taylor, CPA

Auditor of State

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

Carnegie Public Library
Fayette County
127 South North Street
Washington Court House, Ohio 43160

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carnegie Public Library, Fayette County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 6, 2007, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Library's management in a separate letter dated December 6, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests did not disclose any noncompliance or other matters that we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

December 6, 2007



Mary Taylor, CPA
Auditor of State

CARNEGIE PUBLIC LIBRARY

FAYETTE 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
DECEMBER 27, 2007**