

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA
Auditor of State

Board of Trustees
Galion Public Library
123 North Main Street
Galion, Ohio 44833

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

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 Galion Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 11, 2007

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**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

REGULAR AUDIT

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT

Galion Public Library
Crawford County
123 North Market Street
Galion, Ohio 44833

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 Galion Public Library, Crawford 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 2C, 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 Galion Public Library, Crawford 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 Funds thereof for the years then ended in conformity with the basis of accounting Note 2C 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—Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

KNOX & KNOX

Orrville, Ohio
June 11, 2007

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

This discussion and analysis of Galion Public Library's financial performance provides an overall review of the Library's financial activities for the fiscal years ended December 31, 2006 and 2005, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

HIGHLIGHTS

Key highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$35,914 or 10 percent, not a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Building Fund, which realized the burden of necessary capital improvement costs in 2006.
- The Library's general receipts come primarily from the Library and Local Government Support Fund (LLGSF). These receipts represent 91 percent of the total cash received for governmental activities during the year. LLGSF funding for 2006 was almost identical to 2005 as funding remains frozen.

Key highlights for 2005 are as follows:

- Net assets increased \$173,750 from 2004.
- The Library's general receipts come primarily from the Library and Local Government Support Fund. These receipts accounted for \$639,805 or 67 percent of the total cash received for governmental activities during the year.

USING THE BASIC FINANCIAL STATEMENTS

The annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is 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 statements 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 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. 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 non-financial factors as well such as the condition of the Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library reports only one type of activity:

Governmental activities. The Library's basic services are reported here. The Library and Local Government Support Fund finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

REPORTING THE LIBRARY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the Library's major funds—not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are governmental funds.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
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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 has three major governmental funds: the General Fund, the Enrichment Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

THE LIBRARY AS A WHOLE

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

(TABLE 1)
NET ASSETS

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	<u>\$1,720,140</u>	<u>\$1,756,055</u>
Total Assets	<u><u>\$1,720,140</u></u>	<u><u>\$1,756,055</u></u>
Net Assets		
Restricted for:		
Debt Service		
Capital Projects	\$1,015,526	\$1,161,872
Other Purposes	206,465	213,902
Unrestricted	<u>498,149</u>	<u>380,281</u>
Total Net Assets	<u><u>\$1,720,140</u></u>	<u><u>\$1,756,055</u></u>

As mentioned previously, net assets of governmental activities decreased \$35,914 or 10 percent during 2006. The primary reasons contribution to the decreases in cash balances are as follows:

- While LLGSF funding remains frozen, overhead costs such as utilities continue to rise.
- The Library took on many necessary capital improvement projects in 2006. These included replacing the roof, replacing the windows on the original portion of the building, and masonry work.

Table 2 reflects the changes in nets assets on a cash basis in 2006 and 2005 for governmental activities and total primary government.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(TABLE 2)
CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts		
Library Services	\$21,010	\$20,833
Operating Grants and Contributions	<u>2,354</u>	
Total Program Receipts	23,365	<u>20,833</u>
General Receipts		
Unrestricted Contributions	9,267	242,883
Grants and Entitlements Not Restricted to Specific Programs	639,806	639,806
Earnings on Investments	55,682	51,167
Miscellaneous	<u>1,280</u>	<u>275</u>
Total General Receipts	<u>706,035</u>	<u>934,131</u>
Total Receipts	<u>729,400</u>	<u>954,964</u>
Disbursements:		
Library Services	652,301	702,328
Capital Outlay	<u>113,013</u>	<u>79,633</u>
Total Disbursements	<u>765,315</u>	<u>781,961</u>
Excess (Deficiency) Before Transfers	<u>(35,915)</u>	<u>173,003</u>
Increase (Decrease) in Net Assets	(35,915)	173,003
Net Assets, January 1	<u>1,756,055</u>	<u>1,582,305</u>
Net Assets, December 31	<u>\$1,720,140</u>	<u>\$1,756,308</u>

In 2006 and 2005, program receipts represent only 3 percent and 2 percent of total receipts, respectively and are primarily comprised of patron fines and fees for programs.

In 2006, general receipts represent 97 percent of the Library's total receipts, and of this amount, over 90 percent are receipts from the Library and Local Government Support Fund. Earnings on Investments make up the balance of the Library's general receipts (8 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, over 68 percent are receipts from and Library and Local Government Support Fund. Earnings on investments make up most of the balance of the Library's general receipts (5 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include personnel costs, material costs and utility and maintenance costs of the Library.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public library services. Capital Outlay also represents a significant cost, about 15 percent in 2006. The next three 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 the Library and Local Government Support Fund. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(TABLE 3)
GOVERNMENTAL ACTIVITIES

	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government				
Library Services	\$652,301	\$702,328	\$628,937	\$681,495
Capital Outlay	113,013	79,633	113,013	79,633
Total Expenses	<u><u>\$765,314</u></u>	<u><u>\$781,961</u></u>	<u><u>\$741,950</u></u>	<u><u>\$761,128</u></u>

The dependence upon the Library and Local Government Support Fund is apparent as the majority of governmental activities are supported through these general receipts.

THE LIBRARY'S FUNDS

In 2006, governmental funds had receipts of \$729,400 and disbursements of \$765,315. The greatest change within governmental funds occurred within the Building Fund. The fund balance of the Building Fund decreased \$146,347 as a result of the capital improvement projects done in 2006 and the costs associated therewith.

In 2006, General Fund receipts were more than disbursements by \$117,867 indicating that the General Fund is in a positive spending situation.

In 2005, total governmental funds had receipts of \$995,711 and disbursements of \$781,961. The greatest change within governmental funds occurred within the Building Fund. The fund balance of the Building Fund increased \$195,509 as a result of a donation by the Helen Bonnar Trust. The General Fund decreased \$13,799.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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GENERAL FUND BUDGETING HIGHLIGHTS

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

In 2006, final disbursements were budgeted at \$900,000 while actual disbursements were \$607,647. The Library kept spending very close to budgeted amounts.

In 2005, the General Fund's final disbursements were budgeted at \$900,000 while actual disbursements were \$739,642.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

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

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Theresa L. Murphy, Clerk-Treasurer, Galion Public Library, 123 North Market Street, Galion, Ohio 44833.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,720,140</u>
Total Assets	<u><u>\$1,720,140</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,015,526
Other Purposes	206,465
Unrestricted	<u>498,149</u>
Total Net Assets	<u><u>\$1,720,140</u></u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges for Service and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities	Disbursements			
Library Services	\$652,301	\$21,010	\$2,354	(\$628,936)
Capital Outlay	113,013			(113,013)
Total Governmental Activities	<u>\$765,314</u>	<u>\$21,010</u>	<u>\$2,354</u>	<u>(\$741,949)</u>
General Receipts				
Unrestricted Gifts and Contributions				9,266
Grants and Entitlements not Restricted to Specific Programs				639,806
Earnings on Investments				55,682
Miscellaneous				1,280
Total General Receipts				706,034
Change in Net Assets				(35,915)
Net Assets, January 1				1,756,055
Net Assets, December 31				<u>\$1,720,140</u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	<u>General Fund</u>	<u>Enrichment Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$140,179		\$2,155	\$1,175	\$143,510
Investments	<u>357,969</u>	<u>\$187,439</u>	<u>1,013,371</u>	<u>17,851</u>	<u>1,576,631</u>
Total Assets	<u><u>\$498,149</u></u>	<u><u>\$187,439</u></u>	<u><u>\$1,015,526</u></u>	<u><u>\$19,026</u></u>	<u><u>\$1,720,140</u></u>
Fund Balances					
Reserved					
Reserved for Encumbrances			\$4,927		
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$498,149				\$498,149
Special Revenue Funds		\$187,439		\$19,026	206,465
Capital Projects Funds			1,010,599		1,010,599
Permanent Fund					
Total Fund Balances	<u><u>\$498,149</u></u>	<u><u>\$187,439</u></u>	<u><u>\$1,015,526</u></u>	<u><u>\$19,026</u></u>	<u><u>\$1,720,140</u></u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	General Fund	Enrichment Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts					
Library and Local Government Support	\$639,806				\$639,806
Intergovernmental	2,354				2,354
Patron, Fines and Fees	20,255			\$755	21,010
Services Provided to Other Entities					
Contributions, Gifts and Donations	7,247		\$2,000	20	9,267
Earnings on Investments	55,682				55,682
Miscellaneous	170		1,110		1,280
Total Receipts	725,515		3,110	775	729,400
Cash Disbursements					
Current:					
Library Services	605,389		38,701	8,211	652,301
Capital Outlay	2,258		110,755		113,013
Total Disbursements	607,647		149,456	8,211	765,314
Excess of Receipts Over/(Under) Disbursements	117,867		(146,346)	(7,436)	(35,915)
Fund Balances, January 1	380,281	187,439	1,161,872	26,462	1,756,055
Fund Balances, December 31	\$498,148	\$187,439	\$1,015,526	\$19,026	\$1,720,140

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Library and Local Government Support	\$615,000	\$615,000	\$639,806	\$24,806
Intergovernmental			2,354	2,354
Patron, Fines and Fees	18,100	18,100	20,255	2,155
Contributions, Gifts and Donations	3,000	3,000	7,247	4,247
Earnings on Investments	35,800	35,800	55,682	19,882
Miscellaneous			170	170
Total Receipts	<u>671,900</u>	<u>671,900</u>	<u>725,515</u>	<u>53,615</u>
Disbursements				
Current:				
Library Services	830,000	830,000	605,389	224,611
Capital Outlay	60,000	60,000	2,258	57,742
Total Disbursements	<u>890,000</u>	<u>890,000</u>	<u>607,647</u>	<u>282,353</u>
Excess of Receipts Over/(Under) Disbursements	<u>(218,100)</u>	<u>(218,100)</u>	<u>117,867</u>	<u>335,967</u>
Other Financing Uses	<u>(10,000)</u>	<u>(10,000)</u>		<u>10,000</u>
Total Other Financing Uses	<u>(10,000)</u>	<u>(10,000)</u>		<u>10,000</u>
Net Change in Fund Balances	(228,100)	(228,100)	117,867	345,967
Fund Balances, January 1	<u>380,281</u>	<u>380,281</u>	<u>380,281</u>	
Fund Balances, December 31	<u>\$152,181</u>	<u>\$152,181</u>	<u>\$498,149</u>	<u>\$345,967</u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,756,055</u>
 Total Assets	 <u><u>\$1,756,055</u></u>
 Net Assets	
Restricted for:	
Capital Projects	\$1,161,872
Other Purposes	213,902
Unrestricted	<u>380,281</u>
 Total Net Assets	 <u><u>\$1,756,055</u></u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	Cash Disbursements	Program Receipts Charges for Service and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
General Receipts			
Library Services	\$702,328	\$20,832	(\$681,496)
Capital Outlay	79,632		(\$79,632)
Total General Receipts	\$781,960	\$20,832	\$761,128
General Receipts			
Unrestricted Gifts and Contributions			242,883
Grants and Entitlements not Restricted to Specific Programs			639,806
Sale of Fixed Assets			747
Earnings on Investments			51,167
Miscellaneous			275
Total General Receipts			934,878
Change in Net Assets			173,750
Net Assets, January 1			1,582,305
Net Assets, December 31			\$1,756,055

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$380,281</u>	<u>\$1,161,872</u>	<u>\$213,902</u>	<u>\$1,756,055</u>
Total Assets	<u><u>\$380,281</u></u>	<u><u>\$1,161,872</u></u>	<u><u>\$213,902</u></u>	<u><u>\$1,756,055</u></u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$380,281			\$380,281
Special Revenue Funds			\$213,902	213,902
Capital Projects Funds	<u> </u>	<u>\$1,161,872</u>	<u> </u>	<u>1,161,872</u>
Total Fund Balances	<u><u>\$380,281</u></u>	<u><u>\$1,161,872</u></u>	<u><u>\$213,902</u></u>	<u><u>\$1,756,055</u></u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts				
Library and Local Government Support	\$639,806			\$639,806
Intergovernmental				
Patron, Fines and Fees	20,199		\$634	20,833
Contributions, Gifts and Donations	13,649	\$229,234		242,883
Earnings on Investments	51,167			51,167
Miscellaneous	275			275
Total Receipts	725,096	229,234	634	954,964
Cash Disbursements				
Current:				
Library Services	667,607	26,128	8,593	702,328
Capital Outlay	72,035	7,598		79,633
Total Disbursements	739,642	33,725	8,593	781,961
Excess of Receipts Over/(Under) Disbursements	(14,546)	195,509	(7,959)	173,003
Other Financing Sources (Uses)				
Sale of Fixed Assets	747			747
Total Other Financing Sources (Uses)	747			747
Net Change in Fund Balances	(13,799)	195,509	(7,959)	173,750
Fund Balances, January 1	394,081	966,363	221,861	1,582,305
Fund Balances, December 31	\$380,281	\$1,161,872	\$213,902	\$1,756,055

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$615,000	\$615,000	\$639,806	\$24,806
Patron, Fines and Fees	19,700	19,700	20,199	499
Services Provided to Other Entities		0		
Contributions, Gifts and Donations	4,000	4,000	13,649	9,649
Earnings on Investments	37,800	37,800	51,167	13,367
Miscellaneous			275	275
Total Receipts	<u>676,500</u>	<u>676,500</u>	<u>725,096</u>	<u>48,596</u>
Disbursements				
Current:				
Library Services	770,000	772,500	667,607	104,893
Capital Outlay	<u>120,000</u>	<u>117,500</u>	<u>72,035</u>	<u>45,465</u>
Total Disbursements	<u>890,000</u>	<u>890,000</u>	<u>739,642</u>	<u>150,358</u>
Excess of Receipts Over/(Under) Disbursements	<u>(213,500)</u>	<u>(213,500)</u>	<u>(14,546)</u>	<u>198,954</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets			747	747
Other Financing Uses	<u>(10,000)</u>	<u>(10,000)</u>		<u>10,000</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>747</u>	<u>10,747</u>
Net Change in Fund Balances	(223,500)	(223,500)	(13,799)	209,701
Fund Balances, January 1	<u>394,081</u>	<u>394,081</u>	<u>394,081</u>	
Fund Balances, December 31	<u>\$170,581</u>	<u>\$170,581</u>	<u>\$380,281</u>	<u>\$209,701</u>

See accompanying notes to the basic financial statements.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

Galion Public Library, Crawford County, Ohio (the Library) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a nine-member Board of Trustees appointed by the Galion Public Library Association. Library Trustees serve without compensation. The library provides the community with various educational and literary resources. 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.

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 Friends of Galion Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The resources received by the Library from the Friends is not considered. Therefore, this organization has been excluded from the reporting entity of the Library

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements of the Galion 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncement, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Government-Wide Financial Statements

The statement of assets and the statement of activities display information about the Library as a whole. These statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

2. 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. The funds of the Library are all classified as governmental.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund -The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Enrichment Fund - The Enrichment Fund receives gifts and donations to benefit the Library, its collections and services. Such projects might include acquisition of equipment, materials or collections, special programs, etc.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and related expenses) are not recorded in these financial statements

D. Budgetary Process

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

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

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (continued)

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 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 Trustees during the year.

E. Cash and Investments

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

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through Library records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

During 2006 and 2005 the Library maintained nonnegotiable certificates of deposit, and an interest bearing savings account. Interest credited to the General Fund during 2006 amounted to \$55,682 and during 2005 amounted to \$51,167.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use changes 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 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.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

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 and the Enrichment Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$0 for the General Fund for both 2006 and 2005.

4. DEPOSITS AND INVESTMENTS

Monies held by the Library are classified by the 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.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

4. DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

December 31, 2006 and 2005 the Library had \$185 in undeposited cash on hand which is included as part of Equity in Pooled Cash and Cash Equivalents on the financial statements.

A. Deposits

The Library has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or 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

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

4. DEPOSITS AND INVESTMENTS (continued)

A. Deposits (continued)

institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At December 31, 2006 and 2005, \$1,620,140 and \$1,656,055, respectively, were exposed to custodial risk because these deposits were not insured and were collateralized with securities held by the pledging financial institution's trust department, but not in the Library's name.

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

	2006	2005
	<u>Carrying Value</u>	<u>Carrying Value</u>
Certificates of Deposit	\$1,500,000	\$1,500,000
Demand	<u>220,140</u>	<u>256,055</u>
Total	<u><u>\$1,720,140</u></u>	<u><u>\$1,756,055</u></u>

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 coverages as follows:

- Comprehensive Property and General Liability;
- Fine Arts, Valuable Papers and Records, Data Processing;
- Errors and Omissions; and
- Employee Dishonesty

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

The Library pays the State Workers' Compensation 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.

6. DEFINED BENEFIT PENSION PLANS

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.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

6. DEFINED BENEFIT PENSION PLANS (continued)

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, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pensions benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

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 was 13.70 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 \$40,251, \$44,508, and \$42,544, respectively; the full amount has been contributed for 2006, 2005 and 2004 for the plan members.

7. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement healthcare coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Healthcare coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement healthcare coverage. The healthcare 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 funding of postretirement healthcare based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund healthcare.

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 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Healthcare premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

**GALION PUBLIC LIBRARY
CRAWFORD COUNTY**

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

7. POSTEMPLOYMENT BENEFITS (continued)

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 postemployment benefits were \$13,222. 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 were \$31.3 billion and \$20.2 billion, respectively.

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

8. LEASES

The only lease the Library currently has is for a copier machine.

9. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

At the end of 2006, the Library had an outstanding commitment to Weithman Brothers Construction in the amount of \$4,297 for roofing work performed prior to the end of the year.

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KNOX & KNOX

Accountants and Consultants

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

Galion Public Library
Crawford County
123 North Market Street
Galion, Ohio 44833

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Galion Public Library, Crawford County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 11, 2007 wherein we noted the Library uses 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 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 basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the library's internal control over financial reporting.

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

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

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 and deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Library's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
June 11, 2007



Mary Taylor, CPA
Auditor of State

GALION PUBLIC LIBRARY

CRAWFORD 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
NOVEMBER 8, 2007**