



**ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005



Mary Taylor, CPA
Auditor of State

**ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements - December 31, 2006:	
Statement of Net Assets – Modified Cash Basis – December 31, 2006	11
Statement of Activities – Modified Cash Basis – December 31, 2006.....	12
Fund Financial Statements – December 31, 2006:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2006.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2006	14
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2006	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities December 31, 2006	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund – December 31, 2006.....	17
Government-wide Financial Statements - December 31, 2005:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005	19
Statement of Activities – Modified Cash Basis – December 31, 2005.....	20
Fund Financial Statements – December 31, 2005:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2005.....	21
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2005	22
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds – December 31, 2005	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities December 31, 2005	24
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund – December 31, 2005.....	25
Notes to the Basic Financial Statements	27

This Page is Intentionally Left Blank.

ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	40

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

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 Rocky River Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rocky River Public Library, Cuyahoga County, Ohio, as of December 31, 2006 and December 31, 2005 and the respective changes in modified cash basis financial position and the budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 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 Government 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

June 28, 2007

**Rocky River Public Library
Cuyahoga County**

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

This discussion and analysis of the Rocky River Public Library's ("the Library") financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Library's modified cash basis of 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 \$36,029, or (0.52) percent, a minor change from the prior year. The decrease in net assets was primarily due to expenditures for the Library's Renovation Project.

The Library's general receipts are primarily property taxes and Intergovernmental Revenue. These receipts represent 91.69 percent of the total cash received during the year. Property taxes and the Library and Local Government Support Fund ("LLGSF") tax receipts for 2006 changed very little compared to 2005 due to stable tax rates and collections and due to a freeze of the LLGSF by the Ohio Government.

The Library began its Renovation Project in 2006. \$1,170,000 was transferred in 2004 from the General and Capital Funds, into the Bond/Note Fund. Additionally, the Library issued \$1,925,000 in Tax Anticipation Notes in 2005 and transferred \$378,483 from the General Fund to the Short Term Capital Fund and \$24,429 from the Short Term Capital Fund to the Bond/Note Fund in 2005 for this purpose.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$3,349,912, or 94.44 percent, a significant change from the prior year. The increase in net assets was primarily due to the receipt of \$1,925,000 from the issuance of a Tax Anticipation Note and \$1,372,414 from increases in local property taxes and intergovernmental receipts as a result of an operating levy passed in 2003 that began collection in 2005.

The Library's general receipts are primarily property taxes and Intergovernmental Revenue. These receipts represent 66.81 percent of the total general cash receipts during the year. Additionally, the Library issued \$1,925,000 in Tax Anticipation Notes in 2005 that accounted for 28.89 percent of the total general cash receipts. Property taxes and Intergovernmental tax receipts for 2005 increased \$1,372,414, or 44.58%, compared to 2004 (See Tale 2 Below) due to the passage of the operating levy mentioned above.

**Rocky River Public Library
Cuyahoga County**

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

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees 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.

**Rocky River Public Library
Cuyahoga County**

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

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

In the statement of net assets and the statement of activities the Library reports Governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and LLGSF. 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. All of the Library's funds are accounted for as Governmental Funds.

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

**Rocky River Public Library
Cuyahoga County**

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

The Library as a Whole

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

(Table 1)
Net Assets

	Governmental Activities		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Equity in Pooled Cash & Cash Equivalents	\$6,861,197	\$6,897,226	\$3,547,314
Total Assets	<u>\$6,861,197</u>	<u>\$6,897,226</u>	<u>\$3,547,314</u>
Net Assets			
Restricted for:			
Capital Projects	\$2,264,094	\$3,721,418	\$1,496,889
Other Purposes	422,787	341,009	277,360
Permanent Fund Purpose	440,971	421,731	411,593
Unrestricted	<u>3,733,345</u>	<u>2,413,068</u>	<u>1,361,472</u>
Total Net Assets	<u>\$6,861,197</u>	<u>\$6,897,226</u>	<u>\$3,547,314</u>

**Rocky River Public Library
Cuyahoga County**

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

Table 2 reflects the changes in the Library's net assets in 2006, 2005 and 2004.

**(Table 2)
Change in Net Assets**

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts			
Property and Other Local Taxes	\$ 3,236,932	\$ 3,213,352	\$ 2,010,426
Intergovernmental	1,172,501	1,237,720	1,068,232
Patron Fines and Fees	48,399	52,834	52,993
Contributions, Gifts and Donations	26,291	12,767	17,817
Earnings on Investments	376,523	198,734	48,255
Miscellaneous	<u>6,931</u>	<u>5,854</u>	<u>7,931</u>
Total Receipts	<u>4,867,577</u>	<u>4,721,261</u>	<u>3,205,654</u>
Disbursements			
Current:			
General Library Services	3,197,156	2,966,140	2,966,934
Capital Outlay	1,467,818	140,853	46,832
Debt Service:			
Principal Retirement	165,000	180,000	-
Interest and Fiscal Charges	73,900	59,927	-
Issuance Costs	<u>-</u>	<u>30,087</u>	<u>-</u>
Total Disbursements	<u>4,903,874</u>	<u>3,377,007</u>	<u>3,013,766</u>
Excess of Receipts Over (Under) Disbursements	<u>(36,297)</u>	<u>1,344,254</u>	<u>191,888</u>
Total Other Financing Sources (Uses)	268	2,005,658	-
Total Special and Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	<u>(36,029)</u>	<u>3,349,912</u>	<u>191,888</u>
Net Assets, January 1	<u>6,897,226</u>	<u>3,547,314</u>	<u>3,355,426</u>
Net Assets, December 31	<u>\$ 6,861,197</u>	<u>\$ 6,897,226</u>	<u>\$ 3,547,314</u>

Property and Other Local Taxes and Intergovernmental Receipts in 2006, 2005, and 2004 are 90.59 percent, 94.28 percent and 96.04%, respectively, of Total Receipts. Earnings on Investments became a larger revenue source during the period as the rate on investments and amount available for investment increased during 2006, 2005 and 2004 accounting for 7.74 percent, 4.21 percent and 1.51 percent in each year respectively of Total Receipts.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services and business administration represent the costs of running the Library.

**Rocky River Public Library
Cuyahoga County**

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

The Library Renovation Project accounted for the majority of the increase in Capital Outlays in 2006 from 2005.

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 disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, Capital Outlay and Debt Service. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (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.

(Table 3)
Governmental Activities

	<u>Total Cost Of Services 2006</u>	<u>Net Cost Of Services 2006</u>	<u>Total Cost Of Services 2005</u>	<u>Net Cost Of Services 2005</u>
General Library Services	\$3,197,156	\$3,147,282	\$2,966,140	\$2,907,067
Capital Outlay	1,467,818	1,459,175	140,853	135,178
Debt Service:				
Principal Retirement	165,000	165,000	180,000	180,000
Interest & Finance Charges	73,900	73,900	59,927	59,927
Issuance Costs	-	-	30,087	30,087
Total Expenditures	<u>\$4,903,874</u>	<u>\$4,845,357</u>	<u>\$3,377,007</u>	<u>\$3,312,259</u>

**Rocky River Public Library
Cuyahoga County**

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

The Library's Funds

Total governmental funds had receipts in 2006 and 2005 of \$4,867,845 and \$6,726,919 respectively and disbursements of \$4,903,874 and \$3,377,007. The fund balance of the General Fund increased \$2,516,584 during 2006 and 2005) as the result of prudent business management. With the passage of the operating levy in November of 2003, the Library is confident of its financial condition and its ability to provide continued and expanded services to its public.

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.

During fiscal years 2006 and 2005, The Library's General Fund budget was stable. Final Disbursements and transfers for 2006 and 2005 were budgeted at \$4,156,450 and \$4,168,519 respectively while actual disbursements and transfers were \$3,434,973 and \$3,588,142 respectively. Maintaining actual expenditures below projected levels allowed the Library to experience a net increase of \$2,516,584 to the General Fund during this period.

Debt Administration

At December 31, 2006 and December 31, 2005, the Library had debt obligations of \$1,580,000 and \$1,745,000 for a Tax Anticipation Note Issuance of \$1,925,000 in March 2005. The Library has continuing sinking fund obligations on these Notes through 2014 as described in the Notes.

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. The Library relies heavily on local taxes and LLGSF funding. The Library's levy request passed in 2003 was premised on the need to renovate the Library, increase services for children and to increase computer training and access for our patrons. These forecasts were done with an expectation that there would be, at best, no material growth in Local Government Support Funding from the State of Ohio. The Board of Trustees and Administration conservatively forecasted the Library's needs for coming years and developed a plan that would allow the Library to complete its renovation plans and maintain the funding needed for operations in subsequent years.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gary M. Hawkinson, Clerk - Treasurer, Rocky River Public Library, 1600 Hampton Road, Rocky River, Ohio 44116.

This page intentionally left blank.

Rocky River Public Library, Cuyahoga County

Statement of Net Assets - Modified Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,861,197</u>
<i>Total Assets</i>	<u><u>\$6,861,197</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$2,264,094
Other Purposes	422,787
Permanent Fund Purpose	440,971
Unrestricted	<u>3,733,345</u>
<i>Total Net Assets</i>	<u><u>\$6,861,197</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities				
General Library Services	\$3,197,156	\$48,399	\$1,475	(\$3,147,282)
Capital Outlay	1,467,818			(1,459,175)
Debt Service:				
Principal Retirement	165,000			(165,000)
Interest and Finance Charges	73,900			(73,900)
<i>Total Governmental Activities</i>	<u>\$4,903,874</u>	<u>\$48,399</u>	<u>\$1,475</u>	<u>(\$4,845,357)</u>
		General Receipts		
		Property Taxes Levied for General Purposes		3,236,932
		Unrestricted Gifts and Contributions		16,173
		Grants and Entitlements not Restricted to Specific Programs		1,172,501
		Sale of Capital Assets		268
		Interest		376,523
		Miscellaneous		6,931
		<i>Total General Receipts</i>		<u>4,809,328</u>
		Change in Net Assets		(36,029)
		<i>Net Assets Beginning of Year</i>		<u>6,897,226</u>
		<i>Net Assets End of Year</i>		<u><u>\$6,861,197</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,155,415	\$1,826,588	\$879,194	\$6,861,197
<i>Total Assets</i>	<u>\$4,155,415</u>	<u>\$1,826,588</u>	<u>\$879,194</u>	<u>\$6,861,197</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$422,070	\$1,551,318	\$131,171	\$2,104,559
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	3,733,345			3,733,345
Special Revenue Funds			440,971	440,971
Capital Projects Funds		275,270	307,052	582,322
<i>Total Fund Balances</i>	<u>\$4,155,415</u>	<u>\$1,826,588</u>	<u>\$879,194</u>	<u>\$6,861,197</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006*

Total Governmental Fund Balances	<u>\$6,861,197</u>
---	--------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$6,861,197</u></u>
--	---------------------------

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$3,236,932			\$3,236,932
Intergovernmental	1,172,501			1,172,501
Patron Fines and Fees	48,399			48,399
Contributions, Gifts and Donations	18,698		7,593	26,291
Earnings on Investments	355,482		21,041	376,523
Miscellaneous	4,031	2,900		6,931
<i>Total Receipts</i>	<u>\$4,836,043</u>	<u>\$2,900</u>	<u>\$28,634</u>	<u>\$4,867,577</u>
Disbursements				
Current:				
General Library Services	3,196,073		1,083	3,197,156
Capital Outlay	-	1,308,880	158,938	1,467,818
Debt Service:				
Principal Retirement	165,000			165,000
Interest and Fiscal Charges	73,900			73,900
<i>Total Disbursements</i>	<u>3,434,973</u>	<u>1,308,880</u>	<u>160,021</u>	<u>4,903,874</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,401,070</u>	<u>(1,305,980)</u>	<u>(131,387)</u>	<u>(36,297)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	268	-	-	268
Transfers In	-	-	-	
Transfers Out	-	-	-	
<i>Total Other Financing Sources (Uses)</i>	<u>268</u>	<u>-</u>	<u>-</u>	<u>268</u>
<i>Net Change in Fund Balances</i>	1,401,338	(1,305,980)	(131,387)	(36,029)
<i>Fund Balances Beginning of Year</i>	<u>2,754,077</u>	<u>3,132,568</u>	<u>1,010,581</u>	<u>6,897,226</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,155,415</u></u>	<u><u>\$1,826,588</u></u>	<u><u>\$879,194</u></u>	<u><u>\$6,861,197</u></u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds (\$36,029)

Change in Net Assets of Governmental Activities (\$36,029)

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,967,311	\$ 2,967,311	\$ 3,236,932	\$ 269,621
Intergovernmental	1,074,837	1,074,837	1,172,501	97,664
Patron Fines and Fees	44,368	44,368	48,399	4,031
Contributions, Gifts and Donations	17,141	17,141	18,698	1,557
Earnings on Investments	325,872	325,872	355,482	29,610
Miscellaneous	3,694	3,694	4,031	337
<i>Total Receipts</i>	4,433,223	4,433,223	4,836,043	402,820
Disbursements				
Current:				
General Library Services	3,627,815	3,627,815	3,618,144	9,671
Debt Service:				
Redemption of Principal	165,000	165,000	165,000	-
Interest	73,900	73,900	73,900	-
<i>Total Disbursements</i>	3,866,715	3,866,715	3,857,044	9,671
<i>Excess of Receipts Over (Under) Disbursements</i>	566,508	566,508	978,999	412,491
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	268	268
Transfers In				
Transfers Out	(289,735)	(289,735)	-	289,735
<i>Total Other Financing Sources (Uses)</i>	(289,735)	(289,735)	268	290,003
<i>Net Change in Fund Balance</i>	276,773	276,773	979,267	702,494
<i>Fund Balance Beginning of Year</i>	2,413,068	2,413,068	2,413,068	-
<i>Prior Year Encumbrances Appropriated</i>	341,009	341,009	341,009	-
<i>Fund Balance End of Year</i>	\$ 3,030,850	\$ 3,030,850	\$ 3,733,344	\$ 702,494

See accompanying notes to the basic financial statements

This page intentionally left blank.

Rocky River Public Library, Cuyahoga County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,897,226</u>
<i>Total Assets</i>	<u><u>\$6,897,226</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,721,418
Other Purposes	341,009
Permanent Fund Purpose	421,731
Unrestricted	<u>2,413,068</u>
<i>Total Net Assets</i>	<u><u>\$6,897,226</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County

Statement of Activities - Modified 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	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Library Services	\$2,966,140	\$52,834	\$6,239		(\$2,907,067)
Capital Outlay	140,853			5,675	(135,178)
Debt Service:					
Principal Retirement	180,000				(180,000)
Interest and Finance Charges	59,927				(59,927)
Issuance Costs	30,087				(30,087)
<i>Total Governmental Activities</i>	<u>\$3,377,007</u>	<u>\$52,834</u>	<u>\$6,239</u>	<u>\$5,675</u>	<u>(\$3,312,259)</u>
		General Receipts			
		Property Taxes Levied for General Purposes			3,213,352
		Unrestricted Gifts and Contributions			853
		Grants and Entitlements not Restricted to Specific Programs			1,237,720
		Notes issued			1,925,000
		Premium on Debt Issue			80,658
		Interest			198,734
		Miscellaneous			5,854
		<i>Total General Receipts</i>			<u>6,662,171</u>
		Change in Net Assets			3,349,912
		<i>Net Assets Beginning of Year</i>			<u>3,547,314</u>
		<i>Net Assets End of Year</i>			<u><u>\$6,897,226</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,754,077	\$3,132,568	\$1,010,581	\$6,897,226
<i>Total Assets</i>	<u>\$2,754,077</u>	<u>\$3,132,568</u>	<u>\$1,010,581</u>	<u>\$6,897,226</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$341,009	\$241,942	\$70,866	\$653,817
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,413,068			2,413,068
Special Revenue Funds			421,731	421,731
Capital Projects Funds		2,890,626	517,984	3,408,610
<i>Total Fund Balances</i>	<u>\$2,754,077</u>	<u>\$3,132,568</u>	<u>\$1,010,581</u>	<u>\$6,897,226</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005*

Total Governmental Fund Balances	<u>\$6,897,226</u>
---	--------------------

<i>Net Assets of Governmental Activities</i>	<u><u>\$6,897,226</u></u>
--	---------------------------

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2005

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$3,213,352			\$3,213,352
Intergovernmental	1,237,720			1,237,720
Patron Fines and Fees	52,834			52,834
Contributions, Gifts and Donations	7,417		5,350	12,767
Earnings on Investments	186,211		12,523	198,734
Miscellaneous	5,854			5,854
<i>Total Receipts</i>	<u>\$4,703,388</u>	<u>\$0</u>	<u>\$17,873</u>	<u>\$4,721,261</u>
Disbursements				
Current:				
General Library Services	2,963,754		2,386	2,966,140
Capital Outlay	5,978	37,432	97,443	140,853
Debt Service:				
Principal Retirement	180,000			180,000
Interest and Fiscal Charges	59,927			59,927
Issuance Costs		30,087		30,087
<i>Total Disbursements</i>	<u>3,209,659</u>	<u>67,519</u>	<u>99,829</u>	<u>3,377,007</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,493,729</u>	<u>(67,519)</u>	<u>(81,956)</u>	<u>1,344,254</u>
Other Financing Sources (Uses)				
Notes Issued		1,925,000		1,925,000
Premium on Debt Issue		80,658		80,658
Transfers In		24,429	378,483	402,912
Transfers Out	(378,483)		(24,429)	(402,912)
<i>Total Other Financing Sources (Uses)</i>	<u>(378,483)</u>	<u>2,030,087</u>	<u>354,054</u>	<u>2,005,658</u>
<i>Net Change in Fund Balances</i>	1,115,246	1,962,568	272,098	3,349,912
<i>Fund Balances Beginning of Year</i>	<u>1,638,831</u>	<u>1,170,000</u>	<u>738,483</u>	<u>3,547,314</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,754,077</u></u>	<u><u>\$3,132,568</u></u>	<u><u>\$1,010,581</u></u>	<u><u>\$6,897,226</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	<u>\$3,349,912</u>
---	--------------------

<i>Change in Net Assets of Governmental Activities</i>	<u>\$3,349,912</u>
--	--------------------

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga 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				
Property and Other Local Taxes	\$ 2,847,929	\$ 3,213,352	\$ 3,213,352	\$ -
Intergovernmental	1,096,967	1,237,720	1,237,720	-
Patron Fines and Fees	46,826	52,834	52,834	-
Contributions, Gifts and Donations	6,574	7,417	7,417	-
Earnings on Investments	165,035	186,211	186,211	-
Miscellaneous	5,188	5,854	5,854	-
<i>Total Receipts</i>	<u>4,168,519</u>	<u>4,703,388</u>	<u>4,703,388</u>	<u>-</u>
Disbursements				
Current:				
General Library Services	3,473,509	3,466,461	3,304,764	161,697
Capital Outlay	7,009	14,057	5,978	8,079
Debt Service:				
Redemption of Principal	199,518	199,518	180,000	19,518
Interest	110,000	110,000	59,927	50,073
<i>Total Disbursements</i>	<u>3,790,036</u>	<u>3,790,036</u>	<u>3,550,669</u>	<u>239,367</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>378,483</u>	<u>913,352</u>	<u>1,152,719</u>	<u>239,367</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	(378,483)	(378,483)	(378,483)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(378,483)</u>	<u>(378,483)</u>	<u>(378,483)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	-	534,869	774,236	239,367
<i>Fund Balance Beginning of Year</i>	1,361,471	1,361,471	1,361,471	-
Prior year Encumbrances Appropriated	277,360	277,360	277,360	-
<i>Fund Balance End of Year</i>	<u>\$ 1,638,831</u>	<u>\$ 2,173,700</u>	<u>\$ 2,413,067</u>	<u>\$ 239,367</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

**Rocky River Public Library
Cuyahoga County**

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

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Rocky River Public Library, Cuyahoga County, (“the Library”) was organized as a school district public library in 1928 under the laws of the State of Ohio. The Library has its own Board of Trustees (“Board of Trustees”) of seven members who are appointed by the Rocky River City School District Board of Education (“Board of Education”). Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code (“ORC”) 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 Rocky River City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library does not have any component units.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (“GASB”) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library’s accounting policies are described below.

**Rocky River Public Library
Cuyahoga County**

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

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

The statements of net assets presents the cash and investment balances of the governmental activities of the Library at each year-end. The statements 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. 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. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange 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.

Bond/Note Fund - The Bond/Note Fund accounts for monies set aside by the Board of Trustees for major capital and technology improvements.

**Rocky River Public Library
Cuyahoga County**

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

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

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund 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 Trustees.

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

E. Cash and Cash Equivalents

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

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

Investments 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.

**Rocky River Public Library
Cuyahoga County**

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

During 2006 and 2005, investments were limited to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, and STAR Ohio. Except for STAR Ohio, these investments were recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2006 and 2005 amounted to \$376,523 and \$198,734, respectively, which includes \$21,041 and \$12,523, respectively assigned from other Library funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library had \$440,971 at December 31, 2006 and \$421,731 at December 31, 2005 in Special Revenue Funds restricted by resolutions of the Board of Trustees.

G. Accumulated Leave

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

H. 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.

I. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

J. 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.

**Rocky River Public Library
Cuyahoga County**

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

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.

The Library had \$2,686,881 at December 31, 2006 and \$4,062,427 at December 31, 2005 restricted for capital projects and other purposes other than expendable trust funds discussed in Note F above.

K. Fund Balance Reserves

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

L. Estimates

The modified cash basis of accounting used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as expenditures by program type which cannot be specifically designated to a single program); accordingly, actual results could differ from those estimates.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding for the general fund at December 31, 2006 and December 31, 2005 (budgetary basis) amounted to \$422,070 and \$341,009, respectively. There were not any outstanding advances for the General Fund during 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 accounts ("NOW"), 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.

**Rocky River Public Library
Cuyahoga County**

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

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").

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC") by collateral pledged to the Library by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

At December 31, 2006 and December 31, 2005, the Library had \$648 in each year in undeposited cash on hand for petty cash purposes which is included as part of "Cash" 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 fiscal year end 2006 the carrying amount of the Library's deposits was \$61,535 and the bank balance was \$189,066. At fiscal

**Rocky River Public Library
Cuyahoga County**

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

year end 2005 the carrying amount of the Library’s deposits was \$219,198 and the bank balance was \$222,755. Although the securities were held by the pledging financial institutions’ trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. 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:

	Carrying Value	Maturity
STAR Ohio	\$ 6,799,014	35.03 days
Total Investments	\$ 6,799,014	

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

	Carrying Value	Maturity
STAR Ohio	\$ 6,677,380	39.41 days
Total Investments	\$ 6,677,380	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library’s investment policy addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The Library investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Library’s name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Rocky River Public Library
Cuyahoga County**

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

NOTE 5 - GRANTS-IN-AID AND PROPERTY TAXES

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

B. Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Ohio School District. Real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes, respectively. Real property taxes received in 2006 and 2005 were levied after October 1, 2005 and October 1, 2004, respectively, on the assessed values as of January 1, 2006, and January 1, 2005, the lien dates. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes, respectively. Public utility real and tangible personal property taxes received in 2006 and 2005 became a lien on December 31, 2005 and December 31, 2004, respectively and were levied after October 1, 2005 and October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 and 2005 were levied after October 1, 2005 and October 1, 2004, respectively, on the true value as of December 31, 2005 and December 31, 2004, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the years-ended December 31, 2006 and December 31, 2005, was \$6.10 (6.1 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

Real Property	<u>2006</u>	<u>2005</u>
Residential/Agricultural	\$ 607,699,400	\$ 545,855,290
Other Real Estate	114,892,750	109,247,300
Public Utility	8,839,250	9,304,440
General Tangible Personal Property	<u>12,471,366</u>	<u>13,668,520</u>
Total Assessed Value	\$ 743,902,766	\$ 678,075,550

**Rocky River Public Library
Cuyahoga County**

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

NOTE 6 - RISK MANAGEMENT

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

Insurance Coverage at December 31, 2006

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Zurich Group	Commercial Property	\$6,834,000
	Building Contents	3,182,700
	Scheduled Fine Arts	\$472,710
	General Liability	\$1,000,000 per occurrence/ 2,000,000 aggregate
	Commercial Umbrella	\$5,000,000
	Vehicle	\$1,000,000
Utica National Insurance Group	Errors and Omissions	\$1,000,000 per loss / 3,000,000 aggregate
St. Paul Travelers	Commercial Crime	
	Employee Dishonesty	\$50,000
	Forgery	\$25,000
	Money & Securities	\$10,000
Ohio Casualty Insurance Co.	Surety Bond	\$50,000

Insurance Coverage at December 31, 2005

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Zurich Group	Commercial Property	\$6,509,000
	Building Contents	3,182,700
	Scheduled Fine Arts	\$436,500
	General Liability	\$1,000,000 per occurrence / 2,000,000 aggregate
	Commercial Umbrella	\$5,000,000
	Vehicle	\$1,000,000
Utica National Insurance Group	Errors and Omissions	\$1,000,000 per loss / 3,000,000 aggregate
St. Paul Travelers	Commercial Crime	
	Employee Dishonesty	\$50,000
	Forgery	\$25,000
	Money & Securities	\$10,000
Ohio Casualty Insurance Co.	Surety Bond	\$50,000

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

**Rocky River Public Library
Cuyahoga County**

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

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

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$254,565, \$235,310 and \$217,394 respectively. The full amounts have been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006, 2005 and 2004 were \$5,834, \$6,503 and \$3,378 respectively made by the Library and \$3,832, \$4,080 and \$2,119 respectively made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

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

Rocky River Public Library
Cuyahoga County

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

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 8.00 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor of .50 to 6.00 percent annually for the next nine years and 4.00 percent annually after the nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214 at December 31, 2006 and 358,804 at December 31, 2005. Actual employer contributions for 2006 and 2005 which were used to fund post employment benefits were \$254,565 and 235,310 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 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 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.

**Rocky River Public Library
Cuyahoga County**

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

NOTE 9 – DEBT ADMINISTRATION

The Library issued \$1,925,000 in Tax Anticipation Notes on March 2, 2005 in two series at rates of 3.50 percent due December 31, 2010 and 5.00 percent due December 1, 2014 for the purpose of constructing, installing and equipping certain improvements to the Library.

A summary of the note transactions for the years ended December 31, 2005 and December 31, 2006 are as follows:

	Interest Rate	Balance December 31, 2004	2005 Additions	2005 Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Tax Anticipation Note</u>					
2005 Note R-1	3.50%	\$ 0	\$ 1,070,000	\$ (180,000)	\$ 890,000
2005 Note R-2	5.00%	\$ 0	\$ 855,000	\$ 0	\$ 855,000
Total 2005 Note		<u>\$ 0</u>	<u>\$ 1,925,000</u>	<u>\$ (180,000)</u>	<u>\$ 1,745,000</u>

	Interest Rate	Balance December 31, 2005	2006 Additions	2006 Reductions	Balance December 31, 2006
<u>Governmental Activities</u>					
<u>Tax Anticipation Note</u>					
2005 Note R-1	3.50%	\$ 890,000	\$ 0	\$ (165,000)	\$ 725,000
2005 Note R-2	5.00%	\$ 855,000	\$ 0	\$ 0	\$ 855,000
Total 2005 Note		<u>\$ 1,745,000</u>	<u>\$ 0</u>	<u>\$ (165,000)</u>	<u>\$ 1,580,000</u>

The Notes have the following mandatory sinking funds on December 1 in each of the years indicated:

Year	2005 Note R-1 Due December 1, 2010	2005 Note R-2 Due December 1, 2014	Total Annual Sinking Fund Requirement
2007	\$ 170,000		\$ 170,000
2008	\$ 180,000		\$ 180,000
2009	\$ 185,000		\$ 185,000
2010	<u>\$ 190,000</u>		\$ 190,000
2011		\$ 200,000	\$ 200,000
2012		\$ 205,000	\$ 205,000
2013		\$ 220,000	\$ 220,000
2014		<u>\$ 230,000</u>	<u>\$ 230,000</u>
TOTAL	<u>\$ 725,000</u>	<u>\$ 855,000</u>	<u>\$ 1,580,000</u>

**Rocky River Public Library
Cuyahoga County**

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

NOTE 10 – INTERFUND TRANSFERS

The General Fund transferred \$378,483 to the Capital – Short Term Fund and the Capital – Short Term Fund transferred \$24,429 to the Note/Bond Fund in 2005 primarily for the Library Renovation Project discussed in Note 11 below.

There were no Fund transfers in 2006.

NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Library sought public bids for the Library Renovation Project and opened the sealed bids on May 10, 2006. The bids were reviewed and the lowest responsible bid for each component of the project was presented to the Board of Trustees on May 17, 2006 for approval. The total of the bids was \$2,115,414 for the scope of the work being bid on. The Library entered into contracts with the successful bidders and construction commenced mid year 2006. The Library Renovation Project is expected to be completed by April 2007.

NOTE 12 – RELATED ORGANIZATIONS

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable; Friends of the Rocky River Public Library, Women’s Committee of the Rocky River Public Library and the Rocky River Public Library Foundation.

This Page is Intentionally Left Blank.



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

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

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 the Rocky River Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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 certain matters that we reported to the Library's management in a separate letter dated June 28, 2007.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

June 28, 2007



Mary Taylor, CPA
Auditor of State

ROCKY RIVER PUBLIC LIBRARY

CUYAHOGA 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
AUGUST 16, 2007**