



**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Community Library of Big Walnut Local School District
Delaware County
44 Burrer Drive
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Community Library of Big Walnut Local School District, Delaware County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Library of Big Walnut Local School District, Delaware County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Insurance Funds (2007) thereof 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 May 1, 2008, 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.

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

May 1, 2008

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)**

This discussion and analysis of the Community Library of Big Walnut Local School District, (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2007 and 2006, within the limitations of 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 2007 are as follows:

With flat funding, the challenge to library management and staff this year was to make the library the best place possible within the constraints of the ever-tightening budget. Priority goals for 2007 included:

- Taking a critical look at how we use our available spaces including employee areas, public places and the materials warehouse. Are furnishings inviting? Are wall spaces used effectively? Weeding and collection development are critical aspects of space utilization.
- Burrer Family Memorial Room: create a clear policy defining what we collect and how we do so enabling this beautiful part of our library to be more accessible to the public.
- Team-based staffing and management: with a goal to eliminate inefficiencies in work flow in all aspects of library operation and maximize the skills and abilities of all employees

Net assets of governmental activities decreased \$38,568, or 7% percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2007.

The Library's general income is primarily from Library and Local Government Support Fund (LLGSF) receipts. LLGSF receipts for 2007 were very similar to 2006, and basically unchanged since 2002. Taking this together with rising costs this year explains the decrease in net assets. LLGSF receipts make up 92% of the Library's total receipts. The challenge for The Library continues to be living within the means of our currently available resources.

Key highlights for 2006 are as follows:

Strategic planning facilitated by the State Library of Ohio has enabled The Library to target four service areas most important to the local community. *Strategic Plan 2007-2012* was adopted by the Board November 6, 2006, and will guide the organization in all decision making and planning in the coming years. To patrons, employees, and board members, this document offers a clear vision of the goals of The Library.

Net assets of governmental activities decreased \$8,829, or 2% percent, from 2005. These changes impacted only the General Fund as virtually all activity in 2006 happened in the General Fund.

The Library's general income is primarily from Library and Local Government Support Fund (LLGSF) receipts. LLGSF receipts for 2006 were identical to 2005. Taking this together with rising costs this year explains the decrease in net assets. LLGSF receipts make up 93% of the Library's total receipts. The challenge for The Library is now to do more with currently available resources.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the Library at December 31, 2007 and December 31, 2006. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the 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, one should also consider other non-financial factors such as the condition of the Library's capital assets and infrastructure (13 year old Library site and structure), the extent of the Library's debt obligations (of which there are none), the reliance on non-local financial resources for operations and the need for creation of local revenue sources.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

**Statement of Net Assets - Modified Cash Basis
For the Past Three Years**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Cash	\$485,414	\$523,982	\$532,811
<i>Total Assets</i>	<u>\$485,414</u>	<u>\$523,982</u>	<u>\$532,811</u>
Net Assets			
Unrestricted	\$485,414	\$523,982	\$532,811
<i>Total Net Assets</i>	<u>\$485,414</u>	<u>\$523,982</u>	<u>\$532,811</u>

The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational requirements of a particular program, and fines and fees collected from patrons for the use of the Library's services. 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. Benefits provided by the Library's governmental activities are not necessarily paid for by the people receiving those benefits. As all activity of the library is classified as governmental activity, no business activity has been detailed on these statements. Business activities may be a part of the future of the Library and will then be presented in the financial documents.

The Library's complete dependence on the LLGSF is demonstrated on the Statement of Activities. The LLGSF makes up 92% in 2007 and 93% in 2006 of the Library's total receipts. Miscellaneous donations are another source of income, however, they are insignificant overall and somewhat unpredictable.

The Statement of Activities includes all operations of the Library. The first column lists the major services provided by the Library. The second column identifies the costs of providing these services. The next 3 columns are entitled Program Receipts and identify amounts paid by people who are directly charged for the service as well as any grants received by the Library that must be used to provide that specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This "net cost" of the service must be paid for by using other general receipts. The general receipts are presented at the bottom of the statement are almost entirely "Grants and Entitlements Not Restricted to Specific Programs" which is the line item presenting the LLGSF for the Library. Again, this statement dramatically shows the Library's dependence on LLGSF for all facets of its operation.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

(Table 2)

Changes in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$21,815	\$22,213	\$22,149
Operating Grants and Contributions	475	0	3,750
Total Program Receipts	22,290	22,213	25,899
General Receipts:			
Unrestricted Gifts and Donations	3,923	4,511	3,259
Grants and Entitlements Not Restricted to Specific Programs	636,971	634,621	634,621
Interest	26,359	24,981	16,599
Total General Receipts	667,253	664,113	654,479
Total Receipts	689,543	686,326	680,378
Disbursements:			
Library Services:			
Capital Outlay	695,237	674,088	642,618
Total Disbursements	32,874	21,067	7,241
	728,111	695,155	649,859
Increase (Decrease) in Net Assets	(38,568)	(8,829)	30,519
Beginning Net Assets	523,982	532,811	502,292
Ending Net Assets	\$485,414	\$523,982	\$532,811

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 activities and to help demonstrate that money restricted in use is being spent for the intended purpose.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

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 services it provides. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, Capital Projects Fund, and the Insurance Fund (for 2007 only).

Major Funds

General Fund:

Funds used to cover the annual operating budget including personnel, operations and materials

Capital Projects Fund:

- Land Account: to purchase additional land
- Land Improvement Account: to upgrade sidewalks, landscaping, driveway, parking
- Building & Repairs Account: to maintain existing building, build additions, new facilities
- Furniture & Equipment Account: to add to or maintain existing furniture and equipment

Insurance Fund (for 2007 only):

This fund enables the Library to reimburse employees for larger out-of-pocket medical expenses as the Library has raised the deductibles on the health plan to slow the annual increases in premium. This fund also enables the Library to have larger deductibles on the property and casualty policies.

Non-Major Funds

Automation Fund:

Funds to purchase upgrades, enhancements and new automated systems

Insurance Fund (for 2006 only) :

This fund enables the Library to reimburse employees for larger out-of-pocket medical expenses as the Library has raised the deductibles on the health plan to slow the annual increases in premium. This fund also enables the Library to have larger deductibles on the property and casualty policies.

Budgetary Process

All funds, except agency funds (the Library has none) are legally required to be appropriated. The appropriations resolution is the Board's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the object code level for all funds. Budgetary modifications at this level of control may only be made by resolution of the Board of Library Trustee. All resolutions are duly recorded in the Record of Proceedings.

For control purposes, the Library estimates revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Board may appropriate. Estimated revenues may be revised during the year by the Clerk-Treasurer who must then notify the County Auditor.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)**

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 covering 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 during the year.

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. The "Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the General Fund" details a comparison between original and final budgets and the actual amounts received and disbursed.

During 2007 and 2006, the Library amended its General Fund budget several times to reflect changing circumstances. The County Auditor's Official Certificate of Estimated Resources began 2007 with estimated LLGSF revenues at \$718,276 and began 2006 with estimated LLGSF revenue at \$634,621. Mid-year, on completion of Ohio's Biennium Budget, this number was downgraded to the exact amount received in 2006, or \$634,621, which necessitated major changes in appropriations for the completion of 2007. Final budgeted receipts were slightly higher than originally budgeted. This is primarily due to slightly higher revenue from patron fines and fees, which include overdue fines, charges for damaged or lost materials, and charges for copies and faxes.

Current Issues

The nearly year long team effort to create the *Strategic Plan 2007-2012* has presented the Library's Board and staff with a very clear picture of the focused needs and desires of the local community. The image and function of libraries is changing dramatically. Libraries are no longer simply warehouses for books and old papers. The Big Walnut community is changing quickly too, no longer a rural farming community, but increasingly a bedroom community to the nearby metropolitan area.

The Plan identifies four major service priorities for The Library:

- *General Information:* A library that offers General Information helps meet the need for information and answers to questions on a broad array of topics related to work, school and personal life.
- *Current Topics and Titles:* A library that provides Current Topics and Titles helps to fulfill the community residents' appetite for information about popular culture and social trends and their desires for satisfying recreational experiences.
- *Commons:* A library that provides a Commons environment helps address the need of people to meet and interact with others in their community and to participate in public discourse about community issues.
- *Local History and Genealogy:* A library that offers Local History and Genealogy service addresses the desire of the community residents to know and better understand personal or community heritage.

In the context of these four service priorities, the Library's vision is to be a primary source of information and a community center for Big Walnut area residents by providing quality information services, stimulating and educational programs, and access to local historical information in an inviting facility with friendly and professional staff. To this end, the Library's mission will be to create environments for all to access information, pursue interests, discover community heritage and interact with each other.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

***MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(UNAUDITED)
(Continued)***

Starting in January 2008, the LLGSF will be made up of 2.2% of all general tax revenues and will return to the original LLGSF distribution formula consisting of 3 parts: the base amount, a consumer price index adjustment for inflation, and an equalization element that is based on population. The exact implication for library revenues is unknown at this time. We will continue to be fiscally conservative as we see how this new revenue stream flows. Additionally, we will seek alternative revenues in the form of grants and philanthropic donations. This continues to be an exciting and challenging time!

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 Chauncey Montgomery, Director/Clerk-Treasurer, Community Library, 44 Burrer Drive, Sunbury, OH 43074, or by email at montgoc1@oplin.org.

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COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 485,414</u>
<i>Total Assets</i>	<u><u>\$ 485,414</u></u>
Net Assets	
Unrestricted	<u>\$ 485,414</u>
<i>Total Net Assets</i>	<u><u>\$ 485,414</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Cash Receipts			Net (Disbursements) and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$ 695,237	\$ 21,815	\$ 475	\$ (672,947)
Capital Outlay	32,874	-	-	(32,874)
<i>Total Governmental Activities</i>	<u>\$ 728,111</u>	<u>\$ 21,815</u>	<u>\$ 475</u>	(705,821)
General Receipts				
Unrestricted Gifts and Contributions				3,923
Grants and Entitlements not Restricted to Specific Programs				636,971
Earnings on Investments				<u>26,359</u>
<i>Total General Receipts</i>				667,253
Change in Net Assets				(38,568)
<i>Net Assets Beginning of Year</i>				<u>523,982</u>
<i>Net Assets End of Year</i>				<u>\$ 485,414</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Insurance Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 52,601	\$ 49,373	\$ 378,937	\$ 4,503	\$ 485,414
<i>Total Assets</i>	<u>\$ 52,601</u>	<u>\$ 49,373</u>	<u>\$ 378,937</u>	<u>\$ 4,503</u>	<u>\$ 485,414</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ 3,326	\$ -	\$ -	\$ -	\$ 3,326
Unreserved:					
Designated for Insurance Payments	-	49,373	-	-	49,373
Undesignated (Deficit), Reported in:					
General Fund	49,275	-	-	-	49,275
Special Revenue Funds	-	-	-	4,503	4,503
Capital Projects Funds	-	-	378,937	-	378,937
<i>Total Fund Balances</i>	<u>\$ 52,601</u>	<u>\$ 49,373</u>	<u>\$ 378,937</u>	<u>\$ 4,503</u>	<u>\$ 485,414</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Insurance Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts					
Library and Local Government Support	\$ 634,621	\$ -	\$ -	\$ -	\$ 634,621
Intergovernmental	2,350	-	-	-	2,350
Patron Fines and Fees	21,815	-	-	-	21,815
Contributions, Gifts and Donations	4,398	-	-	-	4,398
Earnings on Investments	4,518	2,425	19,195	221	26,359
<i>Total Receipts</i>	<u>667,702</u>	<u>2,425</u>	<u>19,195</u>	<u>221</u>	<u>689,543</u>
Disbursements					
Current:					
Library Services	695,237	-	-	-	695,237
Capital Outlay	9,453	-	23,421	-	32,874
<i>Total Disbursements</i>	<u>704,690</u>	<u>-</u>	<u>23,421</u>	<u>-</u>	<u>728,111</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(36,988)	2,425	(4,226)	221	(38,568)
<i>Fund Balances Beginning of Year</i>	<u>89,589</u>	<u>46,948</u>	<u>383,163</u>	<u>4,282</u>	<u>523,982</u>
<i>Fund Balances End of Year</i>	<u>\$ 52,601</u>	<u>\$ 49,373</u>	<u>\$ 378,937</u>	<u>\$ 4,503</u>	<u>\$ 485,414</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Library and Local Government Support	\$ 718,276	\$ 636,247	\$ 634,621	\$ (1,626)
Intergovernmental	-	2,350	2,350	-
Patron Fines and Fees	23,002	23,002	21,815	(1,187)
Contributions, Gifts and Donations	3,042	3,517	4,398	881
Earnings on Investments	6,584	6,584	4,518	(2,066)
<i>Total receipts</i>	<u>750,904</u>	<u>671,700</u>	<u>667,702</u>	<u>(3,998)</u>
Disbursements				
Library Services	795,057	737,040	698,562	38,478
Capital Outlay	20,351	10,500	9,453	1,047
<i>Total Disbursements</i>	<u>815,408</u>	<u>747,540</u>	<u>708,015</u>	<u>39,525</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(64,504)</u>	<u>(75,840)</u>	<u>(40,313)</u>	<u>35,527</u>
Other Financing Sources (Uses)				
Other Financing Uses	(19,733)	(4,232)	-	4,232
<i>Total Other Financing Sources (Uses)</i>	<u>(19,733)</u>	<u>(4,232)</u>	<u>-</u>	<u>4,232</u>
<i>Net Change in Fund Balance</i>	(84,237)	(80,072)	(40,313)	39,759
<i>Fund Balance Beginning of Year</i>	84,238	84,238	84,238	-
Prior Year Encumbrances Appropriated	5,350	5,350	5,350	-
<i>Fund Balance End of Year</i>	<u>\$ 5,351</u>	<u>\$ 9,516</u>	<u>\$ 49,275</u>	<u>\$ 39,759</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
INSURANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Earnings on Investments	\$ 2,234	\$ 2,654	\$ 2,425	\$ (229)
<i>Total receipts</i>	<u>2,234</u>	<u>2,654</u>	<u>2,425</u>	<u>(229)</u>
<i>Total Disbursements</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,234	2,654	2,425	(229)
<i>Fund Balance Beginning of Year</i>	<u>46,948</u>	<u>46,948</u>	<u>46,948</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 49,182</u>	<u>\$ 49,602</u>	<u>\$ 49,373</u>	<u>\$ (229)</u>

See accompanying notes to the basic financial statements

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 523,982</u>
<i>Total Assets</i>	<u><u>\$ 523,982</u></u>
Net Assets	
Unrestricted	<u>\$ 523,982</u>
<i>Total Net Assets</i>	<u><u>\$ 523,982</u></u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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

	Cash Disbursements	Program Cash Receipts	Charges for Services and Sales	Net (Disbursements) and Changes in Net Assets
			Governmental Activities	
Governmental Activities				
Library Services	\$ 674,088	\$ 22,213		\$ (651,875)
Capital Outlay	21,067	-		(21,067)
<i>Total Governmental Activities</i>	<u>\$ 695,155</u>	<u>\$ 22,213</u>		(672,942)
General Receipts				
Unrestricted Gifts and Contributions				4,511
Grants and Entitlements not Restricted to Specific Programs				634,621
Earnings on Investments				<u>24,981</u>
<i>Total General Receipts</i>				664,113
Change in Net Assets				(8,829)
<i>Net Assets Beginning of Year</i>				<u>532,811</u>
<i>Net Assets End of Year</i>				<u>\$ 523,982</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 89,588	\$ 383,164	\$ 51,230	\$ 523,982
<i>Total Assets</i>	<u>\$ 89,588</u>	<u>\$ 383,164</u>	<u>\$ 51,230</u>	<u>\$ 523,982</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 5,350	\$ -	\$ -	\$ 5,350
Unreserved:				
Designated for Insurance Payments	-	-	46,948	46,948
Undesignated (Deficit), Reported in:				
General Fund	84,238	-	-	84,238
Special Revenue Funds	-	-	4,282	4,282
Capital Projects Funds	-	383,164	-	383,164
<i>Total Fund Balances</i>	<u>\$ 89,588</u>	<u>\$ 383,164</u>	<u>\$ 51,230</u>	<u>\$ 523,982</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts				
Library and Local Government Support	\$ 634,621	\$ -	\$ -	\$ 634,621
Patron Fines and Fees	22,213	-	-	22,213
Contributions, Gifts and Donations	4,511	-	-	4,511
Earnings on Investments	6,829	15,717	2,435	24,981
<i>Total Receipts</i>	<u>668,174</u>	<u>15,717</u>	<u>2,435</u>	<u>686,326</u>
Disbursements				
Current:				
Library Services	674,088	-	-	674,088
Capital Outlay	21,067	-	-	21,067
<i>Total Disbursements</i>	<u>695,155</u>	<u>-</u>	<u>-</u>	<u>695,155</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,981)	15,717	2,435	(8,829)
<i>Fund Balances Beginning of Year</i>	<u>116,569</u>	<u>367,447</u>	<u>48,795</u>	<u>532,811</u>
<i>Fund Balances End of Year</i>	<u>\$ 89,588</u>	<u>\$ 383,164</u>	<u>\$ 51,230</u>	<u>\$ 523,982</u>

See accompanying notes to the basic financial statements

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Library and Local Government Support	\$ 634,641	\$ 634,641	\$ 634,621	\$ (20)
Patron Fines and Fees	22,239	22,239	22,213	(26)
Contributions, Gifts and Donations	4,141	5,091	4,511	(580)
Earnings on Investments	2,866	5,206	6,829	1,623
<i>Total receipts</i>	<u>663,887</u>	<u>667,177</u>	<u>668,174</u>	<u>997</u>
Disbursements				
Library Services	738,956	738,956	679,438	59,518
Capital Outlay	21,500	21,500	21,067	433
<i>Total Disbursements</i>	<u>760,456</u>	<u>760,456</u>	<u>700,505</u>	<u>59,951</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(96,569)</u>	<u>(93,279)</u>	<u>(32,331)</u>	<u>60,948</u>
Other Financing Sources (Uses)				
Other Financing Uses	(13,587)	(13,587)	-	13,587
<i>Total Other Financing Sources (Uses)</i>	<u>(13,587)</u>	<u>(13,587)</u>	<u>-</u>	<u>13,587</u>
<i>Net Change in Fund Balance</i>	(110,156)	(106,866)	(32,331)	74,535
<i>Fund Balance Beginning of Year</i>	<u>116,569</u>	<u>116,569</u>	<u>116,569</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 6,413</u>	<u>\$ 9,703</u>	<u>\$ 84,238</u>	<u>\$ 74,535</u>

See accompanying notes to the basic financial statements

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**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

Note 1 – Description of the Library and Reporting Entity

The Community Library of Big Walnut Local School District, Delaware County, Ohio (“the Library”) was organized as a school district public library in 1944 under the laws of the State of Ohio. The Library has its own Board of Trustees, seven members who are appointed by the Big Walnut Local School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” The Library is considered to be a related organization of the Big Walnut Local School District.

The Library is fiscally independent of the Big Walnut Local School District’s Board of Education. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Library Board of Trustees. Once those decisions are made, the Big Walnut Local School District Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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.

Community Library Friends 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. Although the economic resources of Community Library Friends almost entirely benefit the Library, the Library is not entitled nor does it have access to the economic resources of Community Library Friends. While the resources received by the Library from the Friends serves to enhance programs, facilities and the collection, these resources are not significant proportionally to the Library’s annual budget.

Community Library Foundation (the “Foundation”) was founded in 1998 to receive and manage major donations made to the Library. The seven-member Board of Directors is appointed by the Library’s Board of Trustees to maintain secure investments, promote fund raising and determine appropriate use of funds. Appropriate uses may include: services to the Big Walnut community, grant funding, scholarships, continuing education for the Library’s staff, and bringing traveling programs to the community. Its resources are not exclusively for the Library and the Library does not have access to those resources.

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

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 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 pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include all financial activities of the Library. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and investment balances and net assets of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Program receipts include charges paid by the recipient of the program's goods or services and operating grants and contributions. 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.

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 and are segregate resources that are restricted as to use.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), 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.

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

Special Revenue Fund – Insurance (2007 only) – The special revenue fund – accounts for monies set aside by the Board of Library Trustees to reimburse employees for larger out of pocket medical expenses as the Library has raised the deductions on the health plan to slow the annual increase in premium. This fund also enables the Library to have larger deductibles on the property and casualty policies.

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

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 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 object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Library 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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (continued)

amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the Library is placed in a demand deposit account and reported in the general fund.

Investments with original maturities of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Library had no investments during the audit period.

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 2007 and 2006, the Library invested in non-negotiable certificates of deposit which are recorded at cost. In addition, the Library invested in STAR Ohio accounts. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and 2006

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2007 amounted to \$4,518, \$19,195 in the Capital Projects Fund, and \$2,424 in the Special Revenue – Insurance. Interest receipts credited to the General Fund during 2006 amounted to \$6,829 and \$15,717 in the Capital Projects Fund. Other non-major funds earned \$2,435 during 2006 and \$221 during 2007.

The Library's current checking and savings accounts are handled by Delaware County Bank.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Currently, the Library has none.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Inter-fund Receivables/Payables

The Library reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

The Library's 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" is reported at inception. Lease payments are reported when paid. The Library has no leases as of December 31, 2006 or 2007.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library has no restricted net assets.

The District'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.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Library designates any portion of fund balances that are restricted by the Library's Board but are not legally restricted. The unreserved undesignated fund balance indicates that portion of the fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after non operating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Library had no interfund transactions during 2007 or 2006.

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 and the insurance fund, is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at December 31, 2007 and 2006 are (budgetary basis) amounted to \$3,326 and \$5,350 respectively, for the General Fund.

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 withdraw-able 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.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

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

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

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

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 December 31, 2007 and 2006 the bank balance of the Library's deposits were covered by Federal Deposit Insurance.

The Library's investment policy addresses custodial risk by referencing to the state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

Investments

As of December 31, 2007 and 2006 the Library had the following investments:

	<u>Carrying Value at 12/31/2007</u>	<u>Maturity</u>
STAR Ohio	\$463,375	Daily
	<u>Carrying Value at 12/31/2006</u>	<u>Maturity</u>
STAR Ohio	\$408,694	Daily

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.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's investment policy deals with investment custodial risk by referencing the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates the LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission then allocates these funds to the libraries of Delaware County based on an agreement reached between the four county library systems: Delaware County District, Ashley Wornstaff Memorial, Westerville Public, and the Community Library of Big Walnut Local School District. This legal agreement is enacted through budget year 2007 and has been renegotiated for budget years 2008-2011. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Note 6 - Risk Management

The Library has obtained commercial insurance for the following risks:

- Commercial Property Coverage
- Commercial General Liability Coverage
- Commercial Crime Coverage
- Commercial Inland Marine Coverage

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management (Continued)

- Public Library Errors and Omissions Legal Liability Coverage

The Library has incurred losses due to lightning strikes at three times in the past which damaged portions of the telephone system, computers, security system and some other minor electrical items. These were covered losses under the library property coverage. Electrical specialists have been consulted to try to mitigate the potential for any future storm damage.

Employee Benefits Insurance provided by the Library:

- Health insurance to full-time employees through Anthem Blue Cross/Blue Shield
- Vision insurance to full-time employees through Vision Service Plan

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 year ended December 31, 2007 and 2006, the members of all three plans, were required to contribute 9.5 percent of their annual covered salaries in 2007 and required to contribute 9 percent of their annual covered salaries in 2006. The Library's contribution rate for pension benefits for 2007 was 13.85 percent and 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to OPERS for the years ended December 31, 2007, 2006, and 2005 were \$47,729, \$51,406, and \$58,943 respectively; the full amount has been contributed for each of these years.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Continued)**

Note 8 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 for 2007 and 13.7 for 2006 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care for 2006. For 2007, the portion of employer contributions allocated to healthcare was 5% from January 1 through June 30, 2007 and 6% from July 1 through December 31, 2007.

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, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979 in 2007 and 362,130 in 2006. Actual employer contributions for 2007 and 2006 which were used to fund postemployment benefits were \$48,615 and \$33,009, 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, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. Member and employer contribution rates increased as of January 1, 2006 and will again January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 9 – Deferred Compensation Plan

Ohio Public Employees Deferred Compensation Plan, a 457 Retirement Plan, is available to all full-time employees and is entirely voluntary and is paid wholly by employees electing to participate. Funds are withheld from paychecks and deposited to the Ohio Public Employees Deferred Compensation Program Account #0651900 with each payroll process. All funds were deposited as required as of December 31, 2007 and 2006.



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 STANDARD*

Community Library of Big Walnut Local School District
Delaware County
44 Burrer Drive
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Library of Big Walnut Local School District, Delaware County, Ohio, (the Library) as of and for the year ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 1, 2008; wherein we noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the District. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain internal control matter that we reported to the Library's management in a separate letter dated May 1, 2008.

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, Board of Trustees. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 1, 2008



Mary Taylor, CPA
Auditor of State

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT

DELAWARE 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
SEPTEMBER 30, 2008**