

SINGLE AUDIT REPORT

**ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT**

SEPTEMBER 30, 2006

**ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 4
Management's Discussion and Analysis.....	5 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18 - 19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Governmental Funds.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund.....	25
Brady Trust Special Revenue Fund.....	26
Statement of Fiduciary Net Assets - Fiduciary Funds.....	27
Statement of Changes in Fiduciary Net Assets - Pension Trust Fund.....	28
Notes to the Financial Statements.....	29-44
Required Supplementary Information.....	45

**ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT
SINGLE AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

TABLE OF CONTENTS, Continued

Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*,
Issued by the Comptroller General of the United States; the *Rules of the Auditor
General* of the State of Florida

Schedule of Expenditures of State Financial Assistance.....	47
Supplemental Schedule of State Financial Assistance.....	48-49
Independent Auditors' Report on Internal Control over Financial Reporting and and on Compliance based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Financial Assistance Project and Internal Control over Compliance in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	52-53
Schedule of Findings and Questioned Costs - State Financial Assistance Projects.....	54-55
Management Letter.....	56-57
Management's Response.....	58

**INDEPENDENT AUDITORS' REPORT
FOR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT
SEPTEMBER 30, 2006**

INDEPENDENT AUDITORS' REPORT

The Governing Board
Alachua County Library District
Alachua County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alachua County Library District, as of and for the year ended September 30, 2006, which collectively comprise the Alachua County Library District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Alachua County Library District. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Alachua County Library District as of September 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2007, on our consideration of the Alachua County Library District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Governing Board
Alachua County Library District
Alachua County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Management's discussion and analysis on pages 5 through 13 and the pension information on page 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alachua County Library District's basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, State of Florida, and is also not a required part of the basic financial statements. The pension information presented on page 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The schedule of state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 3, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

**MANAGEMENT'S
DISCUSSION
& ANALYSIS
(MD&A)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alachua County Library District Management's Discussion and Analysis presents an overview of the Library District's financial activities for the fiscal year ended September 30, 2006. The Library District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

Government-wide Statements

- Alachua County Library District's assets exceeded its liabilities at September 30, 2006 by \$13,527,153 (*net assets*). Of this amount, \$10,209,889 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets of \$13,527,153 are comprised of the following:
 - 1) Capital assets, net of related debt, of \$1,129,891 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of those capital assets.
 - 2) Net assets of \$2,187,373 are restricted by constraints imposed from outside the Library District such as debt covenants and capital restrictions of past millage receipts.
 - 3) \$10,209,889 of governmental net assets represents the portion available to maintain the Library District's continuing obligations to citizens and creditors.
- The Library District's total net assets increased \$2,952,973 over the previous year. This increase is due in large part to increased property tax revenues and higher interest income earned on investments.

Fund Statements

- At September 30, 2006, the Library District's governmental funds reported combined ending fund balances of \$13,144,867, an increase of \$2,525,091 in comparison with the prior fiscal year.
- At September 30, 2006, unreserved fund balance for the General Fund was \$4,729,331 or 33% of General Fund operating revenue. This fund balance allows the Library District to operate during the first month and a half of the new fiscal year pending receipt of revenue taxes.
- Governmental funds' revenues increased \$1,381,780 or 8.3% over the prior fiscal year due mostly to increased property tax revenues and an increase in investment fair market value and higher interest rates.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library District's basic financial statements. The Library District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Library District's finances, in a manner similar to a private sector business.

- The *Statement of Net Assets* presents information on all of the Library District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library District is strengthening or weakening.
- The *Statement of Activities* presents information showing how the government's net assets changed during fiscal year 2006. All changes in net assets are reported as soon as the event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

The government-wide financial statements can be found on pages **16-17** of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Library District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All Library District funds fall into one of the following categories: governmental funds or fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Brady Trust, Debt Service, and Capital Projects, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the supplementary information section of this report.

The Library District adopts an annual budget for its general, special revenue, debt service and capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund statements can be found on pages **18-26** of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Library District's own programs. The accounting used for fiduciary funds is similar to business-type accounting.

The basic fiduciary fund financial statements can be found on pages **27-28** of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages **29-44** of this report.

Other Information

Combining statements referred to earlier, present a more detailed view of non-major funds. This section includes budget to actual schedules for non-major special revenue funds, debt service and capital project funds. Combining and individual fund schedules can be found on pages **47-57** of this report. Required pension fund information is shown

on page 45. Information concerning capital assets used in the operation of governmental funds can be found in the notes on page 39 and additional information about the Library District, which may be of interest to the reader, is found under the Statistical section on pages 59-83. Continuing disclosures required by SEC Rule 15c2-12 can be found on pages 85-89.

Government-wide Financial Analysis

Changes in net assets over time may serve as a useful indicator of a government's financial position. In the case of the Library District, assets exceeded liabilities by \$13,527,153 at the end of the fiscal year ended September 30, 2006.

**Alachua County Library District
Net Assets**

	Governmental Activities		Percent Change
	2005	2006	
Current and other assets	\$11,389,233	\$13,944,074	22.4%
Capital assets	11,569,692	11,269,920	-2.6%
Total assets	22,958,925	25,213,994	9.8%
Long-term liabilities outstanding	10,296,952	9,515,798	-7.5%
Other liabilities	1,992,015	2,171,043	9.0%
Total liabilities	12,288,967	11,686,841	-4.8%
Net assets:			
Invested in capital assets, net of related debt	769,692	1,129,891	46.7%
Restricted	2,631,626	2,187,373	-16.9%
Unrestricted	7,268,640	10,209,889	40.4%
Total net assets	\$10,669,958	\$13,527,153	26.8%

At the end of fiscal year 2006, the Library District is able to report positive balances in all three categories of net assets.

One portion of the Library District's net assets of \$1,129,891 reflects its investment in capital assets (e.g., land, buildings, improvements and equipment, less any related depreciation expense), less any related outstanding debt used to acquire those assets. The Library District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Library District's investment in its capital assets is reported net of related debt, the resources needed to repay this debt are provided from other sources (ad valorem taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the Library District's net assets (\$2,187,373 or 16.1% of total net assets) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$10,209,889 or 75.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

Restricted net assets decreased by \$444,253 from 2005 to 2006. This was due to the expenditure of restricted tax revenue sources for capital projects, and a planned reduction of reserves available for debt service payments.

Unrestricted net assets increased \$2,941,249 primarily due to an increase in the tax base.

**Alachua County Library District
Changes in Net Assets**

	Governmental Activities		Percent Change
	<u>2005</u>	<u>2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$35,341	\$64,122	81.4%
Operating grants and contributions	702,258	598,485	-14.8%
General revenues:			
Property taxes	13,761,327	14,891,546	8.2%
Other	709,223	1,036,648	46.2%
Total revenues	<u>15,208,149</u>	<u>16,590,801</u>	9.1%
Expenses:			
Culture and recreation - Library Services	<u>13,387,909</u>	<u>13,637,828</u>	1.9%
Total expenses	<u>13,387,909</u>	<u>13,637,828</u>	1.9%
Increase in net assets	<u>1,820,240</u>	<u>2,952,973</u>	
Net assets - beginning as originally reported	8,849,718	10,669,958	
Change in Accounting Principal	-	(95,778)	
Net assets - beginning as adjusted	<u>8,849,718</u>	<u>10,574,180</u>	
Net assets - ending	<u><u>\$10,669,958</u></u>	<u><u>\$13,527,153</u></u>	26.8%

Governmental Activities

Program Revenues –

The charges for services increase was due to a change in funding per the Jail Services Agreement with the Sheriff's Office and to a change in the manner copier revenue was collected.

General Revenues –

Property tax revenues increased due to an increase in the tax base, increases in property values, and new construction. Interest rates have continued to rise, accounting for a 32.7% increase in "other" revenues.

Net Assets –

The Library District's total net assets increased \$2,857,195 over the previous year. The increase in net assets is due to increased property tax revenues and higher interest income earned on investments.

Fund Financial Analysis

The Library District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Governmental Funds

The primary purpose of the Library District's *governmental funds* are to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the Library District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Alachua County Library District Reserved and Unreserved Fund Balance

Total fund balance	\$ 13,144,867
Less reserved fund balance:	
Encumbrances	153,402
Debt service	474,344
Capital projects	<u>1,713,029</u>
Unreserved fund balance	<u><u>\$ 10,804,092</u></u>

As of the end of fiscal year 2006, the Library District's governmental funds reported combined ending fund balances of \$13,144,867 an increase of \$2,525,091 from the prior year. Of the approximately \$13.1 million total fund balance, unreserved fund balance is \$10,804,092 and is available for spending at the Library District's discretion.

Major Funds

The General, Brady Trust, Debt Service, and Capital Projects are reported as major funds.

The General Fund is the chief operating fund of the Library District. The General Fund had an increase in fund balance of \$1,634,662. The total fund balance at September 30, 2006 was \$4,733,767. The cash balance at the end of the year was \$5,189,354. These increases were due primarily to only a small increase in expenditures, but correspondingly higher revenues in property taxes and interest earned. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund revenues. Fund balance represents 33% of total General Fund operating revenue. The Government Finance Officers Association, Best Practices Guidelines calls for an unreserved fund balance level of 5%-15% of General Fund operating revenues.

The Brady Trust has a total fund balance of \$1,298,570. This fund is a donation invested in stocks and bonds, managed by A.G. Edwards. The Library District Governing Board has made a decision to only spend the interest proceeds on books, and retain the principal. Fund balance increased \$54,126, due to favorable market conditions.

Debt Service has a total fund balance of \$474,344. This fund is used for making principal and interest payment on long-term debt. Fund balance has a planned increase of \$143,099.

Capital Projects has a total fund balance of \$6,442,954. Of this amount \$1,713,029 is reserved specifically for capital projects, due to a 15-year millage restriction that ended in 2001. An additional amount of \$148,966 is reserved for encumbrances. The unreserved fund balance for Capital Projects is \$4,580,959, but the current Library Governing Board has chosen to earmark it for capital projects. The net increase in fund balance during the fiscal year in Capital Projects was \$693,276 due primarily to higher interest earnings than anticipated and delays in current projects.

General Fund Budgetary Highlights

There were no differences between the General Fund's original budget and final amended budget. Actual revenues varied from final budgeted revenues negatively by \$67,275, while actual expenditures varied from final budgeted expenditures, positively by \$458,736. The net difference of actual compared to final budget was a positive difference of \$391,461. Actual revenues varied from final budgeted revenues due to property tax revenues being budgeted in excess of actual revenues collected. This was offset by a substantial increase in investment income due to increases in interest rates. Personal services and operating expenditures were less than anticipated due to a departmental restructuring.

Capital Asset and Debt Administration

Capital Assets

The Library District's investment in capital assets as of September 30, 2006 totals \$11,269,920 (net of accumulated depreciation) and includes land, artwork, buildings and improvements, and equipment. The Library District experienced an overall decrease in investment in capital assets over the prior fiscal year of approximately 2.6% due to depreciation of assets and the change in the capital asset threshold from \$750 to \$1,000 which removed assets costing \$228,863 with a net book value of \$133,075 from the Library District's inventory resulting in a change to beginning net assets of \$95,788.

Further information about the Library District's capital assets can be found in Note 4 on page 39 of this report.

**Alachua County Library District
Capital Assets
(net of depreciation)**

	Governmental Activities	
	<u>2005</u>	<u>2006</u>
Land	\$ 1,075,385	\$ 1,075,385
Construction in progress	-	47,545
Buildings and improvements	10,202,200	9,964,642
Equipment	<u>292,107</u>	<u>182,348</u>
Total	<u>\$ 11,569,692</u>	<u>\$ 11,269,920</u>

Long-term Debt

At the end of fiscal year 2006, the Library District had total bonded debt outstanding of \$10,110,000. The Library District's debt represents bonds secured solely by general obligation bonds.

**Alachua County Library District
Outstanding Debt**

	<u>2005</u>	<u>2006</u>
General Obligation Bonds	<u>\$ 10,800,000</u>	<u>\$ 10,110,000</u>

The Library District's outstanding bonded debt decreased by \$690,000 during fiscal year 2006. This decrease was due to scheduled principal retirements of bonded debt payable.

Additional information on the Library District's debt can be found in Note 6 on page **43** of this report.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of commercial and residential property increased 14% and 16%, respectively, in the 2006 fiscal year.
- Population increased approximately 1.3% from the prior year to an estimated 243,779 at September 30, 2006.

During the current fiscal year, unreserved fund balance in the General Fund increased by \$1,630,226 to \$4,729,331. The ad valorem tax rate for the general fund for the 2007 fiscal year budget is 1.4475 mills.

Requests for Information

This financial report is designed to present users with a general overview of the Library District's finances. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Alachua County Clerk of Court, Finance and Accounting, P.O. Box 939, Gainesville, Florida 32602. Additional financial information can be found on the Library District's web site <http://www.aclid.lib.fl.us>.



**BASIC
FINANCIAL
STATEMENTS**



**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

Assets

Current assets:

Cash and investments	\$ 13,730,397
Accounts receivable, net	5,240
Due from other governments	118,274
Total current assets	13,853,911

Noncurrent assets:

Unamortized bond issue costs	90,163
Capital assets:	
Land	1,075,385
Construction in progress	47,545
Buildings	15,714,013
Equipment	2,003,504
Other improvements	355,043
Less accumulated depreciation	(7,925,570)
Total noncurrent assets	11,360,083
Total assets	\$ 25,213,994

Liabilities

Current liabilities:

Accounts payable	\$ 647,334
Accrued interest payable	79,800
Deferred revenue	52,500
Due to other governments	9,210
Bonds payable	725,000
Accrued compensated absences	657,199
Total current liabilities	2,171,043

Noncurrent liabilities:

Bonds and notes payable (including unamortized premium)	9,505,192
Accrued compensated absences	10,606
Total noncurrent liabilities	9,515,798
Total liabilities	11,686,841

Net assets

Invested in capital assets, net of related debt	1,129,891
Restricted for:	
Restricted for debt service	474,344
Restricted for capital projects	1,713,029
Unrestricted	10,209,889
Total net assets	\$ 13,527,153

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Program expenses	
Culture and recreation - Library Services	\$ 13,134,592
Interest	503,236
(Total program expenses)	<u>(13,637,828)</u>
Program revenues	
Culture and recreation:	
Charges for services	64,122
Operating grants and contributions	598,485
Total program revenues	<u>662,607</u>
(Net program expenses)	<u>(12,975,221)</u>
General revenues	
Property taxes	14,891,546
Investment earnings	854,561
Miscellaneous	182,087
Total general revenues	<u>15,928,194</u>
Increase in net assets	2,952,973
Net assets, beginning as originally reported	10,669,958
Change in accounting principal (See page 44, Note 9.D.)	<u>(95,778)</u>
Net assets, beginning, as adjusted	<u>10,574,180</u>
Net assets, end of year	<u><u>\$ 13,527,153</u></u>

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	General	Brady Trust Special Revenue Fund
Assets		
Equity in pooled cash and investments	\$ 5,189,354	\$ 729
Other cash and investments	13,580	1,297,841
Accounts receivable	5,120	-
Estimated uncollectible accounts receivable	(248)	-
Due from other governments	107,483	-
Total assets	\$ 5,315,289	\$ 1,298,570
 Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 572,312	\$ -
Deferred revenue	-	-
Due to other governments	9,210	-
Total liabilities	581,522	-
 Fund balances		
Reserved for capital projects	-	-
Reserved for debt service	-	-
Reserved for encumbrances	4,436	-
Unreserved, reported in:		
General Fund	4,729,331	-
Special revenue funds	-	440,341
Special revenue funds - designated	-	858,229
Capital project fund	-	-
Total fund balances	4,733,767	1,298,570
 Total liabilities and fund balances	\$ 5,315,289	\$ 1,298,570

See accompanying notes.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 463,603	\$ 6,517,558	\$ 247,732	\$ 12,418,976
-	-	-	1,311,421
-	368	-	5,488
-	-	-	(248)
10,741	50	-	118,274
<u>\$ 474,344</u>	<u>\$ 6,517,976</u>	<u>\$ 247,732</u>	<u>\$ 13,853,911</u>
\$ -	\$ 75,022	\$ -	\$ 647,334
-	-	52,500	52,500
-	-	-	9,210
<u>-</u>	<u>75,022</u>	<u>52,500.00</u>	<u>709,044</u>
-	1,713,029	-	1,713,029
474,344	-	-	474,344
-	148,966	-	153,402
-	-	-	4,729,331
-	-	195,232	635,573
-	-	-	858,229
-	4,580,959	-	4,580,959
<u>474,344</u>	<u>6,442,954</u>	<u>195,232</u>	<u>13,144,867</u>
<u>\$ 474,344</u>	<u>\$ 6,517,976</u>	<u>\$ 247,732</u>	<u>\$ 13,853,911</u>



**Alachua County Library District
Reconciliation of the Balance Sheet
to the Statement of Net Assets Governmental Funds
September 30, 2006**

Fund Balances – Total Governmental Funds \$13,144,867

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. 11,269,920

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. (10,807,834)

Accrued general long-term debt interest expenses are not financial uses and, therefore, are not reported in the fund. (79,800)

Net assets of governmental activities \$13,527,153

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>General</u>	<u>Brady Trust Special Revenue Fund</u>
Revenues		
Property taxes	\$ 13,537,738	\$ -
Intergovernmental	-	-
Charges for services	64,122	-
Investment income	388,210	103,722
Miscellaneous	147,849	404
Total revenues	<u>14,137,919</u>	<u>104,126</u>
Expenditures		
Current: Culture and recreation		
Personal services	7,762,310	-
Operating expenditures	3,780,913	-
Capital outlay	-	-
Debt service	-	-
Total expenditures	<u>11,543,223</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,594,696</u>	<u>104,126</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	(960,976)	(50,000)
Proceeds from sale of capital assets	942	-
Total other financing sources (uses)	<u>(960,034)</u>	<u>(50,000)</u>
Net change in fund balances	1,634,662	54,126
Fund balances - beginning	<u>3,099,105</u>	<u>1,244,444</u>
Fund balances - ending	<u>\$ 4,733,767</u>	<u>\$ 1,298,570</u>

See accompanying notes.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,352,287	\$ 1,521	\$ -	\$ 14,891,546
-	-	598,485	598,485
-	-	-	64,122
47,007	315,622	-	854,561
-	798	28,924	177,975
<u>1,399,294</u>	<u>317,941</u>	<u>627,409</u>	<u>16,586,689</u>
-	-	-	7,762,310
57,701	-	677,481	4,516,095
-	587,351	-	587,351
1,198,494	-	-	1,198,494
<u>1,256,195</u>	<u>587,351</u>	<u>677,481</u>	<u>14,064,250</u>
143,099	(269,410)	(50,072)	2,522,439
-	960,976	50,000	1,010,976
-	-	-	(1,010,976)
-	1,710	-	2,652
<u>-</u>	<u>962,686</u>	<u>50,000</u>	<u>2,652</u>
143,099	693,276	(72)	2,525,091
<u>331,245</u>	<u>5,749,678</u>	<u>195,304</u>	<u>10,619,776</u>
<u>\$ 474,344</u>	<u>\$ 6,442,954</u>	<u>\$ 195,232</u>	<u>\$ 13,144,867</u>

See accompanying notes.

Alachua County Library District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006

Net change in fund balances – Total Governmental Funds \$2,525,091

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$440,130 exceeded capital outlay (\$234,678) in the current period. (205,452)

Donations/contributions of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. 1,459

Repayments of bond principal (\$690,000) less \$11,095 premium expense plus \$8,323 deferred charges) are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 692,772

Some expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds (compensated absences \$65,784 and accrued interest expense \$4,887). (60,897)

Changes in net assets of governmental activities \$2,952,973

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Property taxes	\$ 14,055,194	\$ 14,055,194	\$ 13,537,738	\$ (517,456)
Charges for services	45,000	45,000	64,122	19,122
Investment income	70,000	70,000	388,210	318,210
Miscellaneous	35,000	35,000	147,849	112,849
Total revenues	<u>14,205,194</u>	<u>14,205,194</u>	<u>14,137,919</u>	<u>(67,275)</u>
Expenditures				
Current: Culture and recreation				
Personal services	8,033,877	8,033,877	7,762,310	271,567
Operating expenditures	3,968,082	3,968,082	3,780,913	187,169
Total expenditures	<u>12,001,959</u>	<u>12,001,959</u>	<u>11,543,223</u>	<u>458,736</u>
Excess of revenues over expenditures	2,203,235	2,203,235	2,594,696	391,461
Other financing sources (uses)				
Transfers out	(960,976)	(960,976)	(960,976)	-
Proceeds from sale of capital assets	-	-	942	942
Total other financing sources (uses)	<u>(960,976)</u>	<u>(960,976)</u>	<u>(960,034)</u>	<u>942</u>
Net change in fund balance	1,242,259	1,242,259	1,634,662	392,403
Fund balances - beginning	<u>(1,242,259)</u>	<u>(1,242,259)</u>	<u>3,099,105</u>	<u>4,341,364</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,733,767</u>	<u>\$ 4,733,767</u>

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Brady Trust Special Revenue Fund				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 80,000	\$ 80,000	\$ 103,722	\$ 23,722
Miscellaneous	-	-	404	404
Total revenues	80,000	80,000	104,126	24,126
Expenditures	-	-	-	-
Excess of revenues over expenditures	80,000	80,000	104,126	24,126
Other financing sources (uses)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net change in fund balance	30,000	30,000	54,126	24,126
Fund balances - beginning	(30,000)	(30,000)	1,244,444	1,274,444
Fund balances - ending	\$ -	\$ -	\$ 1,298,570	\$ 1,298,570

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2006**

	Employee Pension Fund	Agency Fund
Assets		
Cash and equivalents	\$ 279,425	\$ 191
Year-end pension contributions receivable	40,510	
Prepaid pension benefits	15,230	-
S & P Small Cap Pooled Index Fund	980,848	-
S & P Mid Cap Pooled Index Fund	979,859	-
S & P 500 Index Fund	4,734,666	-
Lehman Aggregate Index Fund	3,566,712	
	\$ 10,597,250	\$ 191
Liabilities		
Accounts payable	\$ -	\$ 191
	\$ -	\$ 191
Net assets		
Held in trust for pension benefits or other purposes	\$ 10,597,250	\$ -

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Additions

Contributions:

Employer	\$	815,086
Members		221,828

Total contributions		1,036,914
---------------------	--	-----------

Investment earnings:

Net appreciation in fair value of investments	594,678
Interest and dividends	145,293

Total investment income	739,971
-------------------------	---------

(Less investment expense)	(128,600)
---------------------------	-----------

Net investment income	611,371
-----------------------	---------

Total additions	1,648,285
------------------------	------------------

Deductions

Benefit payments	174,554
------------------	---------

Refunds of nonvested contributions	26,946
------------------------------------	--------

(Total deductions)	(201,500)
---------------------------	------------------

Net increase	1,446,785
---------------------	-----------

**Net assets held in trust for pension
benefits - beginning**

9,150,465

**Net assets held in trust for pension
benefits - ending**

\$ 10,597,250

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

1. Summary of Significant Accounting Policies	
A. Reporting Entity.....	30
B. Government-wide and Fund Financial Statements.....	30
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation....	30
D. Budgets and Budgetary Accounting.....	32
E. Assets, Liabilities and Net Assets.....	32
Encumbrances.....	32
Investments.....	32
Restricted Assets.....	32
Capital Assets.....	32
Accrued Compensated Absences.....	33
Long-term Obligations.....	33
Reserves and Designations of Fund Balances.....	33
F. Risk Management.....	34
2. Property Taxes.....	34
3. Cash and Investments.....	35
Cash Deposits.....	35
Investments.....	35
4. Capital Assets.....	39
5. Employee Benefits.....	39
Pension Plan.....	39
A. Plan Description.....	39
B. Summary of Significant Accounting Policies.....	40
Basis of Accounting.....	40
Method Used to Value Investments.....	40
Refunds.....	40
Administrative Expenses.....	41
C. Funding Policy.....	41
D. Investment Concentrations.....	41
E. Determination of Net Pension Obligation (Asset).....	41
F. Actuarial Assumptions.....	42
Deferred Compensation Plan.....	42
6. Long-term Obligations.....	43
7. Interfund Transfers.....	44
8. Related Party Transactions.....	44
9. Other Disclosures.....	44
A. Excess of Expenditures over Appropriations.....	44
B. Excess of Expenditure Over Revenue in the Budget Column.....	44
C. Excess of Expenditures Over Revenue in the Actual Column.....	44
D. Change in Accounting Principal.....	44

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Alachua County Library District is an independent special taxing district created for the purpose of providing library system services and facilities for all citizens of Alachua County, Florida.

The Alachua County Library District was established, effective April 1, 1986, by Chapter 85-376 Laws of Florida (the Act) and currently operates under the authority of Chapter 98-502, Laws of Florida. It is governed by a six-member governing (Board of Governors) board, composed of three members of the Board of County Commissioners of Alachua County, Florida, two members of the Gainesville City Commission and one member of the Alachua County School Board.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Alachua County Library District. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities of the Alachua County Library District are considered to be governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of the Alachua County Library District are offset by program revenues. *Program revenues* include charges to customers and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Property taxes and all other revenue items are considered to be measurable and available only when cash is received within 30 days of the end the current fiscal period by the Alachua County Library District.

Fiduciary funds include trust funds and agency funds. All trust funds use the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds are unlike all other types of funds and report only assets and liabilities. Therefore, agency funds do not have a measurement focus, but do use an *accrual basis of accounting* to recognize receivables and payables.

The Alachua County Library District reports the following major governmental funds:

- The **General Fund** is the Alachua County Library District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Brady Trust Special Revenue Fund** accounts for the activities in the Marna Venable Brady Trust.
- The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities as well as all capital equipment purchases.

Additionally, the government reports the following fiduciary funds:

- The **Pension Trust Fund** accounts for the activities of the Alachua County Library Pension Plan, which accumulates resources for pension benefit payments to qualified employees.
- The **Combination Agency Fund** is used to account for any unclaimed payables that are held in trust for claimants.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

D. Budgets and Budgetary Accounting

Revenue and expenditures in governmental funds are controlled by a formal integrated budgetary accounting system in accordance with Florida Statutes. An annual budget is adopted by the Alachua County Library District's Board of Governors for all governmental fund types.

The Alachua County Library District's annual budgets are monitored at varying levels of classification detail. However, for purposes of budgetary control, expenditures cannot legally exceed the total annual budget appropriations at the individual fund level. All appropriations, except for amounts corresponding to outstanding encumbrances, lapse at year-end.

Original and amended budgets, as well as budget to actual comparisons are provided in the financial statements for all governmental funds. The amended budget amounts presented in the accompanying financial statements have been adjusted for legally authorized amendments of the annual budget during the year by the Alachua County Library District's Board of Governors. Budgets are prepared on the modified accrual (GAAP) basis of accounting.

E. Assets, Liabilities and Net Assets

■ **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue and capital projects funds. Encumbrances outstanding (if any) at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

■ **Investments**

Investments are reported at fair value in accordance with GASB Statement No. 31.

■ **Restricted Net Assets**

Certain funds of the Library District are classified as restricted net assets on the statement of net assets because a restriction is either imposed by law through constitutional provisions or enabling legislation, or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use. The Library District has a current millage restriction for Debt Service and past 15-year millage restriction for Capital Projects that ended in 2001. It is the practice of the Library District to utilize restricted net assets before unrestricted net assets.

■ **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by Florida Statute 274.02 to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	15
Vehicles	7
Equipment	2-15

■ **Accrued Compensated Absences**

The Alachua County Library District's employees are entitled to accrue an unlimited number of hours of paid time off leave (PTO). Upon termination, employees can be paid up to 240 hours of PTO. Participants of the pension plan with at least five years of service convert unused PTO in excess of 240 hours to credited service time. Nonparticipants of the pension plan with at least five years of service are paid for one-half of unused PTO in excess of 240 hours. All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

■ **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

■ **Reserves and Designations of Fund Balances**

In the fund financial statements, reserves of fund balance represent portions of fund balances that cannot be appropriated for expenditures or which have been legally segregated for specific future uses. Debt Service and Capital Outlay have millage restrictions, as discussed in the Restricted Assets section of this note. Designations indicate management's tentative spending plans.

In the Brady Trust Special Revenue Fund, the Alachua County Library District's Board of Governors has designated the amount of the original contribution plus an amount representing

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

inflation to remain intact indefinitely, with all remaining net assets available for transfer to the Gifts and Donation fund to be used for library books. In the Brady Trust Special Revenue Fund, designated fund balance increased by \$840,886 to \$858,229 representing a 2% increase in the consumer price index.

F. Risk Management

The Library District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees and the public, or damage to property of others. The Alachua County Library District has established a risk management program through the purchase of insurance to cover potential losses related to such risks for property and automobile liabilities. For workers compensation claims the Library District participates in Alachua County’s self-insured plan. This plan is self-sustaining through premiums based on actuarial assessments needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

The Library District also participates in the County’s group health insurance program administered by the County in a self-insured plan. Payments are assessed based on actuarial estimates of the amounts needed to pay current year claims and to establish a reserve for catastrophic losses.

There was no significant reduction in coverage from prior years. No settlements have exceeded coverage for each of the past three fiscal years. Additional information may be obtained from the Alachua County Comprehensive Financial Report, available from the Alachua County Clerk of Court, Finance & Accounting, P. O. Box 939, Gainesville, Florida 32602.

Note 2 - Property Taxes

The Legislative Act (the Act), which created the Alachua County Library District, allowed for the levy of ad valorem taxes. The millages allowed under the Act and the millages levied during fiscal year ended September 30, 2006, are as follows:

	<u>Allowable Millage</u>	<u>Millage Levied</u>
Millages Allocated to:		
General Operations	1.5 Mills	1.4475 Mills
Voted Debt Service	Unlimited*	.1445 Mills

* Determined based upon debt issued and the capital improvement millage must be reduced by an equal amount.

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March. Taxes become delinquent on April 1 of the year following the year of assessment and state law provides for enforcement of collection of ad valorem property taxes by seizure of the property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 in the year following the year of assessment.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Note 3 - Cash and Investments

The Alachua County Library District, for accounting and investment purposes, maintains a cash and investment pool for all Alachua County Library District funds, except for those monies, which are legally restricted to separate administration or administered by other agencies. This gives the Alachua County Library District the ability to invest large amounts of idle cash for short periods of time and maximize earning potential. Each fund's portion of the pool is displayed on the governmental funds balance sheet as "equity in pooled cash and investments."

■ **Cash Deposits**

At September 30, 2006, the carrying amount of the Alachua County Library District's deposits was \$315,876. Deposits in banks and thrift institutions are collateralized as public funds through a state procedure provided for in Chapter 280, Florida Statutes. Financial institutions qualifying as public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All of the cash deposits of the Alachua County Library District are placed with qualified financial institutions and are classified as category one credit risk, which means they are insured or collateralized.

■ **Investments**

The Alachua County Library District's investment practices are governed by Resolution 95-2, which provides for the investment of surplus public funds in the following instruments, none of which shall be in the form of derivatives.

- The Florida Local Government Surplus Funds Trust Fund
- Negotiable direct obligations, or obligations which are unconditionally guaranteed by the United States Government
- Interest-bearing time deposits or savings accounts in certain financial institutions provided that any such deposits are secured by collateral as may be prescribed by law
- Obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, or Federal Home Loan Bank or its district banks, including Federal Home Loan Mortgage Corporation participation certificates, or obligations guaranteed by the Government National Mortgage Association.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

- Securities of or other interests in, any registered open-end or closed-end management type investment company or investment trust provided the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

The following schedule details the cash and investments as shown in the financial statements:

Cash and Investments at September 30, 2006

Government-wide

State Board of Administration Investment Pool (2a7-like)	\$ 12,116,871
Investments with A.G. Edward – Brady Trust (see detail below)	1,297,841
Cash in banks (including CD and public interest on checking)	315,876
Total cash and investments – Government-wide	13,730,588

Pension fund

Pension investments – Rhumblin Advisors – Trustee	10,262,085
Cash in bank (including CD and public interest on checking)	279,425
Total cash and investments – Pension fund	10,541,510

Total cash and investments \$24,272,098

Investments of the pension trust fund and Brady Trust Special Revenue Fund may be made in stocks, bonds or other appropriate investments as governed by bond resolution, general law or action of the Board.

The following is a breakdown of the Brady Trust Special Revenue Fund Investments at September 30, 2006:

Cash equivalents	\$ 24,442
Corporate stocks	1,048,120
Corporate bonds	225,279
Total	\$ 1,297,841

The following is a breakdown of the Pension Trust Fund Investments at September 30, 2006:

S & P Small Cap Pooled Index Fund	\$ 980,848
S & P Mid Cap Pooled Index Fund	979,859
S & P 500 Pooled Index Fund	4,734,666
Lehman Aggregate Index Fund	3,566,712
Total	\$10,262,085

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Credit Risk – Pension Trust Fund The Library District’s pension trust fund is expected to concentrate and trade its investments in bonds, which are included but not limited to, in the Lehman Brothers Aggregate Bond Index Fund. This index consists of all publicly issued investment grade, fixed income rate debt with a maturity greater than one year and at least \$250 million par outstanding. The Lehman Brothers Bond Index defines investment grade securities as those with a Baa3 or better rating by Moody’s Investor Securities. All investment decisions have the prime objective of tracking the assigned benchmark, Lehman Brothers Aggregate Bond Index, as closely as possible. It is expected that the annual tracking error will be +/- 50 basis points.

Rating	Amount
AAA	\$ 2,792,379
AA-	194,386
A	291,400
BBB	279,987
BB+	4,637
B	3,923
Total	\$ 3,566,712

The Library District’s investment in Rhumblin’s Pooled Index Funds is not rated by a nationally recognized statistical rating agency.

Credit Risk - Investments Investments with a fair value of \$12,116,871 at September 30, 2006, are in the State board of Administration pool with an average maturity of 32 days. The Library District’s investment in the State Board of Administration Local Government Investment Pool is not rated by a nationally recognized statistical rating agency.

Interest Rate Risk - Investments Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk - Investments The investment in the Brady Trust Special Revenue Fund carries a *custodial credit risk*. This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

In March of 1993, the Alachua County Library District received a donation of the Marna Venable Brady Trust. Upon recommendation of the Alachua County Library District Governing Board approved the proceeds from this donation be restricted to the purchase of books for the Library District. The Library District accepted ownership of the Brady Trust as it was currently invested. The Brady Trust consists of an investment portfolio with a money market account and assorted stocks and bonds invested through the brokerage firm A.G. Edwards & Sons, Inc. The

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Library District has entered into an agreement with A.G. Edwards & Sons, Inc. to perform investing services for the Brady Trust which include: purchasing or acquiring, selling or disposing of securities only on order of the Clerk or his designee along with the Library Director or his designee. A.G. Edwards & Sons, Inc. holds such securities in the name of the District as Trustee for the District.

The following table summarizes the ratings of bonds in the Brady Trust:

Rating	Amount
AAA	\$ 74,528
AA-	74,980
A+	26,545
A	25,132
B	24,094
	<u>\$ 225,279</u>

As of September 30, 2006, the Library pension trust fund and the Brady Trust Special Revenue fund had the following debt securities:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Corporate Bonds	\$ 225,279	3.36
Lehman Aggregate Core Bond Index	3,566,712	6.07
Total fair value	<u>\$ 3,791,991</u>	
Portfolio weighted average maturity		<u>4.72</u>

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	Beginning			Ending
	Balance	Additions	Disposals	Balance
Governmental Activities:				
Capital not being depreciated:				
Land	\$ 1,075,385	\$ -	\$ -	\$ 1,075,385
Construction in progress	-	47,545	-	47,545
Total not being depreciated	<u>1,075,385</u>	<u>47,545</u>	<u>-</u>	<u>1,122,930</u>
Capital Assets being depreciated:				
Buildings	15,664,774	49,239	-	15,714,013
Equipment	2,351,504	97,253	(445,253)	2,003,504
Improvements other than building	314,402	40,641	-	355,043
Total being depreciated	<u>18,330,680</u>	<u>187,133</u>	<u>(445,253)</u>	<u>18,072,560</u>
Less accumulated depreciation for:				
Buildings	(5,472,406)	(324,282)	-	(5,796,688)
Equipment	(2,059,397)	(112,692)	350,933	(1,821,156)
Improvements other than building	(304,570)	(3,156)	-	(307,726)
Total accumulated depreciation	<u>(7,836,373)</u>	<u>(440,130)</u>	<u>350,933</u>	<u>(7,925,570)</u>
Total being depreciated, net	<u>10,494,307</u>	<u>(252,997)</u>	<u>(94,320)</u>	<u>10,146,990</u>
Governmental activities capital assets, net	<u>\$ 11,569,692</u>	<u>\$ (205,452)</u>	<u>\$ (94,320)</u>	<u>\$ 11,269,920</u>

Depreciation expense for the year ended September 30, 2006 was \$440,130, all recorded in the Culture & Recreation program.

Note 5 - Employee Benefits

■ **Pension Plan**

A. Plan Description

The Alachua County Library District Pension Board of Trustees is the Administrator for the Alachua County Library Pension Plan. This is a contributory defined benefit single-employer pension plan with an effective date of October 1, 1986. The plan covers substantially all employees; some managerial employees (3) belong to the ICMA Deferred Compensation Plan. The Alachua County Library District accounts for the plan as a pension trust fund. The plan is also governed by certain provisions of Chapter 112, Florida Statutes.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

At October 1, 2005, the plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	16
Vested terminated employees	23
Active employees	<u>204</u>
Total	<u><u>243</u></u>

The pension plan provides retirement benefits, as well as death benefits. All benefits vest after five years of credited service (by plan amendment effective October 1, 1996).

Employees who retire with either twenty years of credited service or reach age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of their final average times credited service. Employees with fifteen years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

For managers who elected to move from the deferred compensation plan as of October 1, 1996, no more than ten years of past service with the Library will be considered as credited service for vesting purposes. For purposes of calculation of the accrued benefit, the transferring employee shall accrue credited service under this plan only after October 1, 1996.

On June 9, 2005, the Library District Pension Board amended the pension plan to provide for an optional election into the plan for certain exempt employees. Effective October 1, 2005, four employees opted to transfer into the plan, of which one elected to purchase prior service credits.

B. Summary of Significant Accounting Policies

➤ **Basis of Accounting**

The pension trust fund is presented using the accrual basis of accounting. Employer and employee contributions are recognized as revenue in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

➤ **Method Used to Value Investments**

Investments are initially recorded on the trade date and are valued at fair value. The Pension Board of Trustees determines investment policies. Net appreciation or (depreciation) in the fair value of investments represents both realized and unrealized gains and losses.

➤ **Refunds**

If an employee leaves covered employment or dies before five years of credited service, accumulated employee contributions without interest are refunded to the employee or designated beneficiary.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

➤ **Administrative Expenses**

Costs paid from investment earnings of the pension plan include trustee fees, actuarial services and bank charges. Other administrative costs such as accounting, office space and audit costs are provided by the Alachua County Library District at no cost to the pension plan.

C. Funding Policy

The Alachua County Library District Board of Governors established the pension plan and has the authority for amending any plan/benefit provisions.

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarially accrued liability are determined using the entry age normal actuarial cost method.

The total (employer & employee) required contribution rate expressed as a percentage of current year payroll is 18.7%. This contribution rate was determined as part of the October 1, 2005, actuarial valuation. Covered employees were required to contribute 4% of their salary to their pension plan. The Library District is required to contribute the difference, which is 14.7% of covered payroll. The total 18.7% contribution rate expressed as a percentage of payroll consisted of 12.84% for normal costs, 5.12% for amortization of the unfunded actuarial liability over a 30 year period using level percent of payroll, and .74% for interest on amounts from actuarial valuation date to expected payment dates.

D. Investment Concentrations

As of September 30, 2006, the pension fund portfolio consisted of four pooled trust funds managed by Rhumblin Advisers. Approximately 45% of the portfolio is invested in Rhumblin S&P 500 Index Pooled Trust, 10% in Rhumblin S&P Mid-Cap Pooled Trust, 10% in Rhumblin S&P Small-Cap Pooled Trust, and 35% in Rhumblin Core Bond Pooled Trust. State Street Bank and Trust Company, as Trustee, or its successor performs custodial and record keeping services for all four pooled trust funds.

E. Determination of Net Pension Obligation (Asset)

The Library District makes employer contributions as a percentage of actual current covered payroll. Thus, as long as the percentage contributed equals the percentage required by the most recent actuarial valuation, the dollar amount of the annual required contribution (ARC) is equal to the actual dollar amount of employer contributions. The Library District made contributions at the actuarial determined rate of 14.7% of current covered payroll for the period ending September 30, 2006. Therefore, annual pension cost is equal to the ARC and the District does not have a net pension obligation.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

The Library's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution (14.7% of covered payroll)	\$ 815,086
Actual contributions made	(815,086)
Net pension obligation (asset) end of year	\$ 0

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/06	\$815,086	100.0	\$0
9/30/05	698,905	100.0	0
9/30/04	603,804	100.0	0

F. Actuarial Assumptions

Below is a list of actuarial assumptions used as part of the valuation report dated October 1, 2005.

Valuation date	10/01/05
Actuarial cost method	Entry age normal
Amortization method	Level percent - 30 Years - Closed
Equivalent single amortization period	26 years
Asset valuation method	Four year smoothed market
Actuarial Assumptions:	
Investment rate of return	7.75%, net of expenses
Projected salary increases	Salary scale table – salary increases of 2% to 20% based on age group and part-time or full-time status
Payroll growth	4.0% per year
Post-retirement benefit increases	Annual COLA of 2.2% per year
Expenses	Prior year net expenses plus 15%

A separate GAAP-basis pension plan report is not available for the Library District.

▪ **Deferred Compensation Plan**

The Alachua County Library District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Alachua County Library District has complied with the requirements of subsection (g) of Internal Revenue Code Section 456 and, accordingly, all assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Note 6 - Long-Term Obligations

The Alachua County Library District has the following long-term obligations outstanding as of September 30, 2006:

\$13,295,000 Alachua County Library District Refunding Bonds, Series 2001 due in annual installments of \$585,000 to \$1,140,000 through 2017, Interest from 4.25% to 5.00% and secured by property taxes (Refunded Series 1991 General Obligation Bond)	\$10,110,000
Plus unamortized premium	120,192
Net carrying amount – General Obligation Bonds	10,230,192
Accrued compensated absences	667,805
Total long-term obligations	\$10,897,997

Long-Term liability activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due within One Year
General obligation bonds	\$10,800,000	\$ 0	\$ (690,000)	\$10,110,000	\$725,000
Unamortized premium	131,287	0	(11,095)	120,192	0
Compensated absences	602,021	722,983	(657,199)	667,805	657,199
Total long-term obligations	\$11,533,308	\$722,983	\$(1,358,294)	\$10,897,997	\$1,382,199

Compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligations bonds are as follows:

Fiscal year	Principal	Interest	Total
2007	\$ 725,000	\$ 478,798	\$ 1,203,798
2008	755,000	447,985	1,202,985
2009	790,000	410,235	1,200,235
2010	830,000	370,735	1,200,735
2011	870,000	329,235	1,199,235
2012-2016	5,000,000	998,270	5,998,270
2017	1,140,000	55,290	1,195,290
	10,110,000	3,090,548	13,200,548
Plus: Unamortized Bond Premium	120,192	-	120,192
Total	\$10,230,192	\$3,090,548	\$13,320,740

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

Note 7 - Interfund Transfers

Interfund transfers for the year ended September 30, 2006, were as follows:

Transfer Out	Amount	Transfer In	Purpose
General Fund	\$ 960,976	Capital projects fund	Fund capital projects
Brady Trust Special Revenue Fund	50,000	Gifts and donations fund	Budgeted spendable trust funds
Total interfund transfers	<u>\$1,010,976</u>		

Note 8 – Related Party Transactions

The Library District has an interlocal agreement with Alachua County Board of County Commissioners. The Library District paid Alachua County Board of County Commissioners \$390,441 for services in fiscal year 2006. These services included Accounting, Auditing, Treasury, Miscellaneous Administrative Services, Information and Telecommunications Services, and the County Attorney services. In addition, the Library District participates in the County's Self Insurance fund for workers compensation and in the County's self-insured Health Insurance Fund for employee group health insurance.

Note 9 - Other Disclosures

A. Excess of Expenditures Over Appropriations

There were no funds with an excess of expenditures over appropriations.

B. Excess of Expenditures Over Revenue in the Budget Column

Certain funds show an excess of expenditures over revenue in the budget column of the statement of revenue, expenditures and changes in fund balances, budget and actual. This excess is due to the use of fund balance (which is not reported in the budget or variance column) during the fiscal year.

C. Excess of Expenditures Over Revenue in the Actual Column

Certain funds show an excess of expenditures over revenue in the actual column of the statement of revenue, expenditures and changes in fund balances. This excess is due to the use of fund balance brought forward from the prior fiscal year.

D. Change in Accounting Principal

The capital asset threshold was changed from \$750 to \$1,000 effective October 1, 2005 resulting in a \$95,788 adjustment to beginning net assets.

**ALACHUA COUNTY LIBRARY DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2006**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL)-Entry Age (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Total Annual Payroll at Valuation Date (C)	UAAL as % of Covered Payroll (B-A)/C
10/1/05 *	\$ 8,718,771	\$ 13,524,327	\$ 4,805,556	64.5%	\$ 5,653,774	85.0%
10/1/04 *	7,512,159	12,648,547	5,136,388	59.4%	5,237,851	98.1%
10/1/03	6,966,779	10,600,230	3,633,451	65.7%	4,730,893	76.8%
10/1/02 *	6,479,693	9,445,509	2,965,816	68.6%	4,643,532	63.9%
10/1/01 **	6,315,599	8,235,573	1,919,974	76.7%	4,174,964	46.0%
10/1/00	6,131,260	5,882,819	(248,441)	104.2%	3,795,763	-6.5%
10/1/99 *	5,646,419	4,958,325	(688,094)	113.9%	3,492,555	-19.7%

Schedule of Employer Contributions

Valuation Date	End of Plan Year to Which Valuation Applies	Actual Covered Payroll for Current Period	Required Employer Contribution		Actual Employer Contributions	Percentage Contributed
			Amount	% Payroll		
10/1/05 *	9/30/06	\$ 5,544,800	\$ 815,086	14.70%	\$ 815,086	100%
10/1/04 *	9/30/05	5,290,727	698,905	13.21%	698,905	100%
10/1/03	9/30/04	5,044,311	603,804	11.97%	603,804	100%
10/1/02	9/30/03	4,929,445	568,365	11.53%	568,365	100%
10/1/01 **	9/30/02	4,230,806	446,350	10.55%	446,350	100%
10/1/00	9/30/01	3,850,907	271,874	7.06%	271,874	100%
10/1/99 *	9/30/00	3,704,863	188,948	5.10%	188,948	100%

* Change in actuarial assumptions/methods

** Plan amendment.



**ALACHUA COUNTY LIBRARY DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

STATE GRANTOR/ PROGRAM TITLE	STATE CSFA NUMBER	STATE EXPENDITURES	PROGRAM TOTAL
<u>DIVISION OF LIBRARY INFORMATION SERVICES</u>			
State Aid to Libraries ID# 06-ST-01	45.030	\$598,485	\$598,485
Gates Learning Grant ID# 06-GATES-01	N/A	-	-
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$598,485</u>	<u>\$598,485</u>

Basis of Presentation:

The accompanying Schedule of State Financial Assistance includes the State award activity of the Alachua County Library District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*, of the State of Florida.

**ALACHUA COUNTY LIBRARY DISTRICT
 SUPPLEMENTAL SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

FUND	Grants Agency / Grant Title Grant ID # / Grant Period	STATE CSFA NUMBER	STATE PROGRAM AWARD	MATCH AMOUNT	TOTAL PROGRAM AWARD	BEGINNING FUND BALANCE AT 10/1/05
	<u>DIVISION OF LIBRARY INFORMATION SERVICES</u>					
710	State Aid to Libraries ID# 06-ST-01 Period Ending: 9/30/06	45.030	\$598,485	\$0	\$598,485	\$0
707	Gates Learning Grant ID# 06-GATES-01 Period Ending: 12/31/2008	N/A	52,500	0	52,500	0
TOTAL STATE FINANCIAL ASSISTANCE					<u><u>\$0</u></u>	

Basis of Presentation:

The accompanying Schedule of State Financial Assistance includes the State award activity of the Alachua County Library District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*, of the State of Florida.

<u>REVENUE RECOGNIZED</u>			<u>EXPENDITURES RECOGNIZED</u>			<u>TOTAL STATE CURRENT/ PROJECTED EXPENDITURES BY CSFA#</u>	<u>ENDING FUND BALANCE AT 9/30/06</u>
<u>STATE</u>	<u>COUNTY AND OTHER</u>	<u>TOTAL REVENUE</u>	<u>STATE</u>	<u>COUNTY AND OTHER</u>	<u>TOTAL EXPENDITURES</u>		
\$598,485	\$0	\$598,485	\$598,485	\$0	\$598,485	\$598,485	\$0
0	0	0	0	0	0	0	0
<u>\$598,485</u>	<u>\$0</u>	<u>\$598,485</u>	<u>\$598,485</u>	<u>\$0</u>	<u>\$598,485</u>	<u>\$598,485</u>	<u>\$0</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Governing Board
Alachua County Library District
Alachua County, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alachua County Library District as of and for the year ended September 30, 2006, which collectively comprise the Alachua County Library District's basic financial statements and have issued our report thereon dated January 3, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Alachua County Library District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Certified Public Accountants

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The Governing Board
Alachua County Library District
Alachua County, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

This report is intended solely for the information and use of the Alachua County Library District, management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

January 3, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
FINANCIAL ASSISTANCE PROJECT AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

The Governing Board
Alachua County Library District
Alachua County, Florida

Compliance

We have audited the compliance of the Alachua County Library District with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major state financial assistance projects for the year ended September 30, 2006. The Alachua County Library District's major state financial assistance project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state financial assistance projects are the responsibility of the Alachua County Library District's management. Our responsibility is to express an opinion on the Alachua County Library District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Alachua County Library District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Alachua County Library District's compliance with those requirements.

In our opinion, the Alachua County Library District complied, in all material respects, with the requirements referred to above that are applicable to its major state financial assistance projects for the year ended September 30, 2006.

Certified Public Accountants

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The Governing Board
Alachua County Library District
Alachua County, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
FINANCIAL ASSISTANCE PROJECT AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Internal Control Over Compliance

The management of the Alachua County Library District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the Alachua County Library District's internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Alachua County Library District, management, and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

January 3, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
ALACHUA COUNTY LIBRARY DISTRICT**

1. **Summary of Audit Results**

I. **Type of Audit Report Issued on Financial Statements**

Unqualified Opinion

II. **Reportable Conditions and/or Material Weaknesses in Internal Control**

Audit disclosed no reportable conditions or material weaknesses.

III. **Noncompliance Material to Auditee Financial Statements**

Audit disclosed no material instances of noncompliance.

IV. **Reportable Conditions and/or Material Weaknesses in Internal Control Over Major State Financial Assistance Projects**

Audit disclosed no instances of reportable conditions in internal control over major projects or reportable conditions which were material weaknesses in internal control over major projects.

V. **Type of Audit Report Issued on Compliance with Requirements Applicable to Major State Financial Assistance Projects**

Unqualified Opinion

VI. **Audit Findings Relative to Chapter 10.550, *Rules of the Auditor General***

The audit disclosed no findings required to be reported under Chapter 10.550, *Rules of the Auditor General*.

VII. **The Projects Tested as Major Projects Included the Following:**

<u>State Projects</u>	<u>State CSFA No.</u>
Division of Library Information Services State Aid to Libraries	45.030

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
ALACHUA COUNTY LIBRARY DISTRICT, FLORIDA
(Concluded)**

1. **Summary of Audit Results (Concluded)**

VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Projects**

\$300,000

IX. **Auditee Qualification as Low-Risk Auditee**

This does not apply to state financial assistance projects.

2. **Findings Related to the Financial Statements Required to be Reported Under GAGAS**

The audit disclosed no findings which are required to be reported under GAGAS.

3. **Findings and Questioned Costs for Major State Financial Assistance Projects Under Chapter 10.550, Rules of the Auditor General**

None

4. **Status of Prior Year Audit Findings and Questioned Costs**

There were no prior year audit findings included in the schedule of findings and questioned costs.

MANAGEMENT LETTER

The Governing Board
Alachua County Library District
Alachua County, Florida

We have audited the financial statements of the Alachua County Library District as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated January 3, 2007.

We have issued our independent auditors' report on compliance and on internal control over financial reporting dated January 3, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(h)1.] require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls, whether or not recommendations made in the preceding annual financial audit reports have been followed. There were no such items disclosed in the preceding audit report.

The *Rules of the Auditor General* [Section 10.554(1)(h)2.] require that we determine whether Alachua County Library District complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Section 10.554(1)(h)3.] require disclosure in the management letter any findings or recommendations to improve financial management, accounting procedures and internal controls. Our audit disclosed no matters required to be disclosed by the *Rules of the Auditor General* [Section 10.554(1)(h)4.].

Certified Public Accountants

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The Governing Board
Alachua County Library District
Alachua County, Florida

MANAGEMENT LETTER
(Concluded)

The *Rules of the Auditor General* [Sections 10.554(1)(h)4.] require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal control: violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures that may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., omission of required disclosures from the financial statements); failure to properly record financial transactions; and other inaccuracies, shortages, and defalcations and instances of fraud discovered by, or that come to the attention of the auditor. Our audit disclosed no such matters.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(a)], the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Alachua County Library District does not meet the conditions of a financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(h)6.(b)], we determined that the financial information for the Alachua County Library District for the fiscal year ended September 30, 2006, filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

Also, as required by the *Rules of the Auditor General*, we applied financial condition assessment procedures pursuant to Rule 10.556(8). The application of such procedures did not reveal evidence of "deteriorating financial condition" as the term is defined in Rule 10.554.

This management letter is intended solely for the information and use of the Alachua County Library District, management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

January 3, 2007
Gainesville, Florida

Purvis, Gray and Company, LLP



alachua county
library district

...thinking outside the book

Alachua County Library District
Administration
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Gainesville, FL 32601-5453
(352) 334-3910 FAX (352) 334-3918
www.aclib.us

February 22, 2007

Honorable William O. Monroe
Auditor General, State of Florida
P.O. Box 1735
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

This is in response to the Independent Auditor's Management Letter for the Alachua County Library District, for the year ended September 30, 2006. We are happy to report that for the fifteenth year the Auditors found no reportable conditions.

Thank you for your attention.

Sincerely,

Cynthia Moore Chestnut, Chair
Library District Governing Board

J.K. "Buddy" Irby, Clerk
Alachua County Circuit Court

dmw

xc: file

