

SINGLE AUDIT REPORT

**ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT**

SEPTEMBER 30, 2007



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

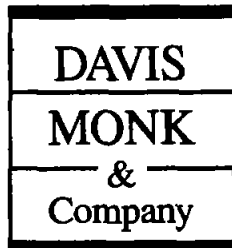
FOR

SINGLE AUDIT REPORT

**ALACHUA COUNTY, FLORIDA
LIBRARY DISTRICT**

SEPTEMBER 30, 2007





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& Business Consultants

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Professional Associations*

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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 (the "District"), as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

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 District as of September 30, 2007, and the respective changes in financial position, where applicable, thereof 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 29, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 District's basic financial statements. The Schedule of Expenditures of State Financial Assistance, which is required by Chapter 10.550, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Davis, Mook & Company

January 29, 2008
Gainesville, Florida

**MANAGEMENT'S
DISCUSSION
& ANALYSIS**

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, 2007. 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, 2007 by \$17,873,465 (*net assets*). Of this amount, \$14,508,960 may be used to meet the government's ongoing obligations to citizens and creditors.

- Total net assets of \$17,873,465 are comprised of the following:
 - 1) Capital assets, net of related debt, of \$2,552,293 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt (net of the unamortized balance of any debt-related accounts) related to the purchase or construction of those capital assets.
 - 2) Net assets of \$812,212 are restricted by constraints imposed from outside the Library District such as debt covenants and capital restrictions of past millage receipts.
 - 3) \$14,508,960 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 \$4,346,312 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, 2007, the Library District's governmental funds reported combined ending fund balances of \$16,036,256, an increase of \$2,891,389 from the prior fiscal year.

- At September 30, 2007, unreserved fund balance for the General Fund was \$7,315,675 or 44% of General Fund operating revenue. This increase in fund balance was planned with the intent to make a one-time transfer to Capital Projects for \$4.5 million in fiscal year 2008. This fund balance also allows the Library District to operate during the first part of the new fiscal year pending receipt of revenue taxes.

- Governmental funds' revenues increased \$2,693,202 or 16% over the prior fiscal year due mostly to increased property tax revenues and an increase in investment fair market value and higher interest rate earnings.

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 2007. 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 are either 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 is 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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library District maintains ten 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 and Capital Projects, which are considered to be major funds. Data for the other eight 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. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance. The General Fund budgetary comparison schedule can be found in the required supplementary information on page 44 and for nonmajor special revenue funds as well as for the Capital Projects fund, a major fund, in the supplemental information starting on page 52 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 22-23 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 25-42 of this report.

Other Information

Combining statements, referred to earlier, present a more detailed view of nonmajor funds. This section includes budget to actual schedules for nonmajor special revenue funds, debt service and capital project funds. Combining and individual fund schedules can be found on pages 47-59 of this report. Required pension fund information is shown

on page 45 as well in the Notes starting on page 36. Information concerning capital assets used in the operation of governmental funds can be found in the notes on page 36 and additional information about the Library District, which may be of interest to the reader, is found under the Statistical section on pages 61-85. Continuing disclosures required by SEC Rule 15c2-12 can be found on pages 87-91.

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 \$17,873,465 at the end of the fiscal year ended September 30, 2007.

**Alachua County Library District
Net Assets**

	Governmental Activities		Total Percent Change
	2006	2007	
Current and Other Assets	\$13,853,911	\$17,156,609	23.8%
Unamortized Bond Issue Costs	90,163	81,840	-9.2%
Capital Assets	11,269,920	11,964,551	6.2%
Total Assets	25,213,994	29,203,000	15.8%
Long-Term Liabilities Outstanding	9,515,798	8,739,098	-8.2%
Other Liabilities	2,171,043	2,590,437	19.3%
Total Liabilities	11,686,841	11,329,535	-3.1%
 Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,129,891	2,552,293	125.9%
Restricted	2,187,373	812,212	-62.9%
Unrestricted	10,209,889	14,508,960	42.1%
Total Net Assets	\$13,527,153	\$17,873,465	32.1%

At the end of fiscal year 2007, 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 \$2,552,293 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 (\$812,212 or 4.5% 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 (\$14,508,960 or 81.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

Restricted net assets decreased by \$1,375,161 from 2006 to 2007. This was due to the expenditure of restricted tax revenue sources for capital improvements in the Library Headquarters building, and expansion of the Alachua and Millhopper branch libraries.

Unrestricted net assets increased \$4,299,071 primarily due to an increase in the tax base.

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

	Governmental Activities		Percent Change
	<u>2006</u>	<u>2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$64,122	\$86,802	35.4%
Capital grants and contributions	-	52,500	N/A
Operating grants and contributions	598,485	555,346	-7.2%
General revenues:			
Property taxes	14,891,546	17,205,046	15.5%
Other	1,036,648	1,531,316	47.7%
Total revenues	<u>16,590,801</u>	<u>19,431,010</u>	17.1%
Expenses:			
Culture and recreation - Library Services	<u>13,637,828</u>	<u>15,084,698</u>	10.6%
Total expenses	13,637,828	15,084,698	10.6%
Increase in net assets	<u>2,952,973</u>	<u>4,346,312</u>	
Net assets - beginning as originally reported	10,669,958	13,527,153	
Change in accounting principle	(95,778)	-	
Net assets - beginning as adjusted	<u>10,574,180</u>	<u>13,527,153</u>	
Net assets - ending	<u>\$13,527,153</u>	<u>\$17,873,465</u>	32.1%

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 an increase in copier revenue collected. In addition, there was an increase in capital grants and contributions due to the Library District obtaining grant funds to enhance the public access to the internet.

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 48.8% increase in “other” revenues.

Net Assets –

The Library District’s total net assets increased \$4,346,312 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* is 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	\$ 16,036,256
Less reserved fund balance:	
Capital Projects	(271,600)
Debt service	(540,612)
Encumbrances	(633,063)
Unreserved fund balance	<u>\$ 14,590,981</u>

As of the end of fiscal year 2007, the Library District’s governmental funds reported combined ending fund balances of \$16,036,256 an increase of \$2,891,389 from the prior year. Of the approximately \$16 million total fund balance, unreserved fund balance is \$14,590,981 and is available for spending at the Library District’s discretion.

Major Funds

The General Fund and the Capital Projects Fund 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 \$2,581,908. The total fund balance at September 30, 2007 was \$7,315,675. The Equity in Pooled Cash and Investments balance at the end of the year was \$8,187,726. These increases were due primarily to an increase in the assessed value of property, resulting in higher property tax revenues; more interest was earned due to a higher rate of interest and more to invest. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund revenues. Fund balance represents 44% of total General Fund operating revenue. This increase in fund balance was planned with the intent to make a one-time transfer to Capital Projects for \$4.5 million in fiscal year 2008. Reducing the total \$7.3 million fund balance by the planned transfer brings the actual fund balance more in line with the Government Finance Officers Association, Best Practices Guidelines for unreserved fund balance level of 5%-15% of General Fund operating revenues.

The Capital Projects fund has a total fund balance of \$6,529,146. Of this amount \$271,600 is reserved specifically for capital projects, due to a 15-year millage restriction that ended in 2001. An additional amount of \$633,063 is reserved for encumbrances. The unreserved fund balance for Capital Projects is \$5,624,483, and 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 \$86,192 due primarily to higher interest earnings.

General Fund Budgetary Highlights

There were no differences between the General Fund's original budget and final amended budget (see schedule on page 44). Overall actual revenues varied from final budgeted revenues positively by \$334,567, while actual expenditures were less than final budgeted expenditures by \$169,814. The net difference of actual compared to final budget was a positive difference of \$504,381. 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 higher investment balances and an increase in interest rates. Personal services and operating expenditures were cut back in response to the Florida Legislature's mandate to cut local property taxes for the 2008 fiscal year.

Capital Asset and Debt Administration

Capital Assets

The Library District's investment in capital assets as of September 30, 2007 totals \$11,964,551 (net of accumulated depreciation) and includes land, artwork, buildings and improvements, and equipment. The Library District experienced an overall increase in investment in capital assets over the prior fiscal year of approximately 6.2% due to capital improvements in the Library Headquarters building, and expansion of the Alachua and Millhopper branch libraries.

Further information about the Library District's capital assets can be found in Note 4 on page 36 of this report.

Alachua County Library District Capital Assets (net of depreciation)

	Governmental Activities	
	<u>2006</u>	<u>2007</u>
Land	\$ 1,075,385	\$ 1,221,881
Construction in progress	47,545	731,067
Buildings and improvements	9,964,642	9,659,582
Equipment	182,348	352,021
Total	<u>\$ 11,269,920</u>	<u>\$ 11,964,551</u>

Long-term Debt

At the end of fiscal year 2007, the Library District had total bonded debt outstanding of \$9,385,000. The Library District's debt represents bonds secured solely by general obligation bonds.

Alachua County Library District Outstanding Debt

	<u>2006</u>	<u>2007</u>
General Obligation Bonds	<u>\$ 10,110,000</u>	<u>\$ 9,385,000</u>

The Library District's outstanding bonded debt decreased by \$725,000 during fiscal year 2007. 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 40 of this report.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of commercial and residential property increased 15.5% and 16.7%, respectively, in the 2007 fiscal year.
- Population increased approximately 1.6% from the prior year to an estimated 247,561 at September 30, 2007.

During the current fiscal year, the net change in fund balance for the General Fund increased by \$2,581,908 and the unreserved fund balance increased by \$2,586,344 for a total fund balance of \$7,315,675. The ad valorem tax rate for the General Fund for the 2007 fiscal year budget was 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.acld.lib.fl.us>.



**BASIC
FINANCIAL
STATEMENTS**



**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

Assets

Current assets:

Equity in pooled cash and investments	\$ 17,104,893
Accounts receivable, net	3,988
Due from other governments	47,728
Total current assets	17,156,609

Noncurrent assets:

Unamortized bond issue costs	81,840
Capital assets:	
Land	1,221,881
Construction in progress	731,067
Buildings	15,747,839
Equipment	2,191,813
Other improvements	355,043
Less accumulated depreciation	(8,283,092)
Total noncurrent assets	12,046,391
Total assets	29,203,000

Liabilities

Current liabilities:

Accounts payable	\$ 1,101,190
Accrued interest payable	74,664
Due to other governments	19,163
Bonds payable	755,000
Accrued compensated absences due within one year	640,420
Total current liabilities	2,590,437

Noncurrent liabilities:

Bonds and notes payable (including unamortized premium)	8,739,098
Total noncurrent liabilities	8,739,098
Total liabilities	11,329,535

Net assets

Invested in capital assets, net of related debt	2,552,293
Restricted for:	
Restricted for debt service	540,612
Restricted for capital projects	271,600
Unrestricted	14,508,960
Total net assets	\$ 17,873,465

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Program expenses	
Culture and recreation - Library Services	\$ 14,611,036
Interest	473,662
(Total program expenses)	<u>(15,084,698)</u>
Program revenues	
Culture and recreation:	
Charges for services	86,802
Capital grants and contributions	52,500
Operating grants and contributions	555,346
Total program revenues	<u>694,648</u>
(Net program expenses)	<u>(14,390,050)</u>
General revenues	
Property taxes	17,205,046
Investment earnings	1,271,583
Miscellaneous	259,733
Total general revenues	<u>18,736,362</u>
Increase in net assets	4,346,312
Net assets, beginning	<u>13,527,153</u>
Net assets, ending	<u>\$ 17,873,465</u>

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and investments	\$ 8,187,726	\$ 6,700,420	\$ 752,341	\$ 15,640,487
Other cash and investments	13,580	-	1,450,826	1,464,406
Accounts receivable	3,686	300	2	3,988
Due from other governments	44,142	47	3,539	47,728
Total assets	<u>\$ 8,249,134</u>	<u>\$ 6,700,767</u>	<u>\$ 2,206,708</u>	<u>\$ 17,156,609</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 917,013	\$ 169,370	\$ 14,807	\$ 1,101,190
Due to other governments	16,446	2,251	466	19,163
Total liabilities	<u>933,459</u>	<u>171,621</u>	<u>15,273</u>	<u>1,120,353</u>
Fund balances				
Reserved for capital projects	-	271,600	-	271,600
Reserved for debt service	-	-	540,612	540,612
Reserved for encumbrances	-	633,063	-	633,063
Unreserved, reported in				
General Fund	7,315,675	-	-	7,315,675
Special revenue funds	-	-	768,950	768,950
Special revenue funds - designated	-	-	881,873	881,873
Capital project fund	-	5,624,483	-	5,624,483
Total fund balances	<u>7,315,675</u>	<u>6,529,146</u>	<u>2,191,435</u>	<u>16,036,256</u>
Total liabilities and fund balances	<u>\$ 8,249,134</u>	<u>\$ 6,700,767</u>	<u>\$ 2,206,708</u>	<u>\$ 17,156,609</u>

See accompanying notes.

**Alachua County Library District
Reconciliation of the Balance Sheet
to the Statement of Net Assets Governmental Funds
September 30, 2007**

Fund Balances – Total Governmental Funds	\$16,036,256
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.	11,964,551
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. (Bonds Payable and Compensated Absences)	(10,134,518)
Total Unamortized Bond Issue costs not reported in funds.	81,840
Accrued long-term debt interest expenses are not financial uses and, therefore, are not reported in the fund.	<u>(74,664)</u>
Net assets of governmental activities	<u>\$17,873,465</u>

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 15,934,263	\$ 7,219	\$ 1,263,564	\$ 17,205,046
Intergovernmental	-	-	607,846	607,846
Charges for services	86,802	-	-	86,802
Investment income	611,685	373,397	286,501	1,271,583
Miscellaneous	77,786	28,471	2,357	108,614
Total revenues	<u>16,710,536</u>	<u>409,087</u>	<u>2,160,268</u>	<u>19,279,891</u>
Expenditures				
Current: Culture and recreation				
Personal services	8,802,099	-	30,183	8,832,282
Operating expenditures	4,209,018	-	664,327	4,873,345
Capital outlay	-	1,441,429	38,301	1,479,730
Debt service				
Principal	-	-	725,000	725,000
Interest & other charges	-	-	479,168	479,168
Total expenditures	<u>13,011,117</u>	<u>1,441,429</u>	<u>1,936,979</u>	<u>16,389,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,699,419</u>	<u>(1,032,342)</u>	<u>223,289</u>	<u>2,890,366</u>
Other financing sources (uses)				
Transfers in	-	1,117,511	75,611	1,193,122
Transfers out	(1,117,511)	-	(75,611)	(1,193,122)
Proceeds from sale of capital assets	-	1,023	-	1,023
Total other financing sources (uses)	<u>(1,117,511)</u>	<u>1,118,534</u>	<u>-</u>	<u>1,023</u>
Net change in fund balances	2,581,908	86,192	223,289	2,891,389
Fund balances - beginning	<u>4,733,767</u>	<u>6,442,954</u>	<u>1,968,146</u>	<u>13,144,867</u>
Fund balances - ending	<u>\$ 7,315,675</u>	<u>\$ 6,529,146</u>	<u>\$ 2,191,435</u>	<u>\$ 16,036,256</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, 2007

Net change in fund balances – Total Governmental Funds \$2,891,389

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 capital outlay \$980,691 exceeded depreciation (\$436,156) in the current period. 544,535

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. 150,096

Repayments of bond principal (\$725,000 plus \$11,094 premium expense less \$8,323 deferred charges) are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 727,771

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 \$27,385 and accrued interest expense \$5,136). 32,521

Changes in net assets of governmental activities \$4,346,312

See accompanying notes.

**ALACHUA COUNTY LIBRARY DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2007**

	<u>Employee Pension Fund</u>	<u>Agency Fund</u>
Assets		
Cash and equivalents	\$ 158,074	\$ 191
Year-end pension contributions receivable	28,194	
Prepaid pension benefits	26,401	-
Due from other governments	380,191	-
S & P 600 Index - Small Cap Stocks Fund	1,164,099	-
S & P 400 Index - Mid Cap Stocks Fund	1,198,086	-
S & P 500 Index - Large Cap Stocks Fund	6,264,512	-
Lehman Aggregate Core Bond Index Fund	3,872,055	
	<u> </u>	<u> </u>
Total assets	<u>\$ 13,091,612</u>	<u>\$ 191</u>
Liabilities		
Assets held for others	<u>\$ -</u>	<u>\$ 191</u>
	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ 191</u>
Net assets		
Held in trust for pension benefits or other purposes	<u>\$ 13,091,612</u>	<u>\$ -</u>

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, 2007**

Additions

Contributions:

Employer	\$ 1,237,487
Members	243,304
Total contributions	1,480,791

Investment earnings:

Net appreciation in fair value of investments	1,365,668
Interest and dividends	6,652
Total investment income	1,372,320

(Less investment expense)	(84,968)
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Net investment income	1,287,352
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Total additions	2,768,143
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Deductions

Benefit payments	(264,095)
Refunds of nonvested contributions	(9,686)

Total deductions	(273,781)
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Net increase	2,494,362
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Net assets held in trust for pension benefits - beginning	10,597,250
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Net assets held in trust for pension benefits - ending	\$ 13,091,612
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See accompanying notes.



**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, 2007**

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 **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).

D. Budgets and Budgetary Accounting

The Library District has elected to report budgetary information as required supplementary information (RSI). Please refer to the accompanying notes to the RSI on page 43 for the District's budgetary information.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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 assets 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 Library District policy 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. 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	10-15
Vehicles	5
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 as a result of employee resignations and retirements.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

■ **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 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 from \$858,229 to \$881,873 representing a 2.76% 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 Annual Financial Report, available from the Alachua County Clerk of Court, Finance & Accounting, P. O. Box 939, Gainesville, Florida 32602.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, 2007, 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.

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, 2007, the carrying amount of the Alachua County Library District's deposits was \$291,563. 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 cash deposits of the Alachua County Library District are placed with qualified financial institutions and are fully insured or collateralized.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

■ **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 following types of investments are allowed by the policy:

- 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.
- 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 Library District invests primarily in the State Board of Administration's Local Government Investment Pool ("State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The powers and duties of the SBA are defined in Florida Statute 218.409. In addition, Chapter 19-7 of the Florida Administrative Code identifies the rules and regulations governing the administration of the State Pool. These rules provide guidance and establish the general operating procedures for the administration of the pool.

The State Pool is an external investment pool that has adopted operating procedures consistent with the Securities and Exchange Commission's investment requirements for a "2a7-like" fund and the fair value of the position in the pool is equal to the value of the pool shares. At year end, the Library District had investments in the State Pool with a fair value of \$15,362,695 and an average maturity of 34 days. The Library District's investment in the State Pool is not rated by a nationally recognized statistical rating agency as of September 30, 2007.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Subsequent to year-end, the SBA reported that the State Pool is exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market, and placed some restrictions on how local governments could access portions of their surplus funds. The SBA engaged BlackRock Financial Management Inc., a provider of global investment management services, to undertake an assessment of the status of the investments of the State Pool. On December 4, 2007, based on recommendations from BlackRock, the SBA restructured the State Pool into two separate pools (Fund A & Fund B).

The newly established Fund A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of State Pool assets. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Fund A.

The newly established Fund B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of State Pool assets. Fund B is not rated.

At the time of the restructuring, all current pool participants had their existing balances in the State Pool proportionately allocated into Fund A and Fund B. Additional information regarding the restructuring may be obtained from the State Board of Administration (www.sbafla.com).

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

Cash and Investments at September 30, 2007

Government-wide

State Board of Administration Investment Pool (2a7-like)	\$ 15,362,695
Investments with A.G. Edward – Brady Trust (detail follows)	1,450,826
Cash in banks (including CD and public interest on checking)	291,563
Total cash and investments – Government-wide	17,105,084

Pension fund

Pension investments – Rhumblin Advisors – Trustee (detail follows)	12,498,752
Cash in bank (including CD and public interest on checking)	158,074
Total cash and investments – Pension fund	12,656,826

Total cash and investments	\$29,761,910
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**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, 2007:

Cash equivalents	\$ 37,488
Corporate stocks	1,213,332
Corporate bonds	200,006
Total	\$ 1,450,826

The following is a breakdown of the Pension Trust Fund Investments at September 30, 2007:

S & P 600 Index - Small Cap Stocks Fund	\$ 1,164,099
S & P 400 Index - Mid Cap Stocks Fund	1,198,086
S & P 500 Index - Large Cap Stocks Fund	6,264,512
Subtotal – Pooled Index Funds	8,626,697
Lehman Aggregate Core Bond Index Fund	3,872,055
Total	\$12,498,752

Custodial Credit Risk – Deposits – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and they are uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library District’s name.

All deposits of the Library District are either covered by depository insurance or are collateralized by the pledging financial institution’s trust department or agent.

Custodial Credit Risk – Investments – Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the government and are held by either the counterparty or by the counterparty’s trust department or agent but not in the government’s name.

All identifiable investment securities of the Library District are either insured or are registered in the Custodian’s Street name for the benefit of the Library District and are held by the counterparty’s trust department or agent.

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.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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.

<u>Rating</u>	<u>Amount</u>
AAA	\$ 3,011,684
AA-	221,869
A	292,727
BBB	345,775
Total	<u>\$ 3,872,055</u>

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

Credit Risk – Investment Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy guidelines have a provision that the investment at the time of purchase be rated by a nationally recognized rating agency in either of its two highest rating categories (within which there may be sub-categories or gradations indicating relative standing). Presented below is the rating as of year end for each investment type.

Investments with a fair value of \$15,362,695 at September 30, 2007, are in the State board of Administration pool with an average maturity of 34 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(6), 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.

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Marna Venable Brady Trust Special Revenue Fund

In March of 1993, the Alachua County Library District received a donation of the Marna Venable Brady Trust. The Alachua County Library District Governing Board set the policy that 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 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:

<u>Rating</u>	<u>Amount</u>
AAA	\$ 48,948
AA-	125,835
A	25,223
	<u>\$ 200,006</u>

As of September 30, 2007, the Library pension trust fund and the Brady Trust Special Revenue fund had the following debt securities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Corporate Bonds	\$ 200,006	4.12
Lehman Aggregate Core Bond Index	3,872,055	7.01
Total fair value	<u>\$ 4,072,061</u>	
Portfolio weighted average maturity		<u>5.57</u>

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance	Additions	Disposals	Balance
Governmental Activities:				
Capital not being depreciated:				
Land	\$ 1,075,385	\$ 165,246	\$ (18,750)	\$ 1,221,881
Construction in progress	47,545	683,522	-	731,067
Total not being depreciated	1,122,930	848,768	(18,750)	1,952,948
Capital Assets being depreciated:				
Buildings	15,714,013	15,076	18,750	15,747,839
Equipment	2,003,504	266,943	(78,634)	2,191,813
Improvements other than building	355,043	-	-	355,043
Total being depreciated	18,072,560	282,019	(59,884)	18,294,695
Less accumulated depreciation for:				
Buildings	(5,796,688)	(332,005)	-	(6,128,693)
Equipment	(1,821,156)	(97,270)	78,634	(1,839,792)
Improvements other than building	(307,726)	(6,881)	-	(314,607)
Total accumulated depreciation	(7,925,570)	(436,156)	78,634	(8,283,092)
Total being depreciated, net	10,146,990	(154,137)	18,750	10,011,603
Governmental activities				
capital assets, net	\$ 11,269,920	\$ 694,631	\$ -	\$ 11,964,551

Depreciation expense for the year ended September 30, 2007 was \$436,156, 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, 2007**

At October 1, 2006, the plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	17
Vested terminated employees	28
Active employees	<u>202</u>
Total	<u>247</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 market 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, 2007**

➤ **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 projected unit credit cost actuarial method.

The total (employer and employee) required contribution rate expressed as a percentage of current year payroll is 24.3%. This contribution rate was determined as part of the October 1, 2006, 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 20.3% of covered payroll. The total 24.3% contribution rate expressed as a percentage of payroll consisted of 15.51% for normal costs, 7.89% for amortization of the unfunded actuarial liability over a 30 year period using level percent of payroll, and .9% for interest on amounts from actuarial valuation date to expected payment dates.

D. Investment Concentrations

As of September 30, 2007, the pension fund portfolio consisted of four pooled trust funds managed by Rhumblin Advisers. Approximately 50% of the portfolio is invested in Rhumblin S&P 500 Index Large Cap Stocks, 9% in Rhumblin S&P 400 Index Mid-Cap Stocks, 10% in Rhumblin S&P 600 Small Cap Stocks, and 31% in Rhumblin Lehman Aggregate Core Bond Index fund. 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 20.3% of current covered payroll for the period ending September 30, 2007. 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, 2007**

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

Annual required contribution (20.3% of covered payroll)	\$ 1,237,487
Actual contributions made	<u>(1,237,487)</u>
Net pension obligation (asset) end of year	<u>\$ 0</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/07	\$ 1,237,487	100%	\$0
9/30/06	815,086	100%	0
9/30/05	698,905	100%	0

F. Actuarial Assumptions

Below is a list of actuarial assumptions used as part of the valuation report as of October 1, 2006.

Valuation date	10/01/06
Actuarial cost method	Projected Unit Credit Cost
Amortization method	Level percent - 30 Years - Closed
Equivalent single amortization period	30 years
Asset valuation method	Current market value
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
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 457 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, 2007**

Note 6 - Long-Term Obligations

The Alachua County Library District has the following long-term obligations outstanding as of September 30, 2007:

\$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%. Revenue source – Property Taxes (Refunded Series 1991 General Obligation Bond)	\$9,385,000
Plus unamortized premium	109,098
Net carrying amount – General Obligation Bonds	9,494,098
Accrued compensated absences	640,420
Total long-term obligations	\$10,134,518

Long-Term liability activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due within One Year
General obligation bonds	\$10,110,000	\$ 0	\$ (725,000)	\$9,385,000	\$755,000
Unamortized premium	120,192	0	(11,094)	109,098	0
Compensated absences	667,805	713,576	(740,961)	640,420	640,420
Total long-term obligations	\$10,897,997	\$713,576	\$(1,477,055)	\$10,134,518	\$1,395,420

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
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	915,000	285,735	1,200,735
2013-2017	5,225,000	767,825	5,992,825
	9,385,000	2,611,750	11,996,750
Plus: Unamortized Bond Premium	109,098	-	109,098
Total	\$ 9,494,098	\$2,611,750	\$12,105,848

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

Note 7 - Interfund Transfers

Interfund transfers for the year ended September 30, 2007, were as follows:

Transfer Out	Amount	Transfer In	Purpose
General Fund	\$1,117,511	Capital projects fund	Fund capital projects
Brady Trust Special Revenue Fund	<u>75,000</u>	Gifts and donations fund	Budgeted spendable trust funds
Black History Month	<u>611</u>	Gifts and donations fund	Consolidate all donations
Total interfund transfers	<u>\$1,193,122</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 \$406,089 for services in fiscal year 2007. 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 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.

C. Subsequent Events

Change in Employee Pension Plan

At the November 6, 2007 meeting the Library Pension Board of Trustees approved a change to the retirement plan for employees. Effective January 1, 2008, the existing employee pension plan will be frozen and all new employees will be enrolled in the Florida Retirement System. Current employees will have a one-time option to enter FRS, but may stay in the current plan with no changes to benefits. This change has significant long-term savings for the Library District; the District currently contributes 20.3% for the pension plan, while the FRS rate is 9.85%.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

**ALACHUA COUNTY LIBRARY DISTRICT
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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 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.

**ALACHUA COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Property taxes	\$ 16,225,969	\$ 16,225,969	\$ 15,934,263	\$ (291,706)
Charges for services	45,000	45,000	86,802	41,802
Investment income	70,000	70,000	611,685	541,685
Miscellaneous	35,000	35,000	77,786	42,786
Total revenues	16,375,969	16,375,969	16,710,536	334,567
Expenditures				
Current: Culture and recreation				
Personal services	8,863,232	8,863,232	8,802,099	61,133
Operating expenditures	4,317,699	4,317,699	4,209,018	108,681
Total expenditures	13,180,931	13,180,931	13,011,117	169,814
Excess of revenues over expenditures	3,195,038	3,195,038	3,699,419	504,381
Other financing sources (uses)				
Transfers out	(1,117,511)	(1,117,511)	(1,117,511)	-
Total other financing sources (uses)	(1,117,511)	(1,117,511)	(1,117,511)	-
Net change in fund balance	2,077,527	2,077,527	2,581,908	504,381
Fund balances - beginning	(2,077,527)	(2,077,527)	4,733,767	6,811,294
Fund balances - ending	\$ -	\$ -	\$ 7,315,675	\$ 7,315,675

**ALACHUA COUNTY LIBRARY DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN
SEPTEMBER 30, 2007**

See Note 5 starting on page 36 for detailed information on the Library's Pension Fund.

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
10/1/06	* \$10,597,250	\$ 15,815,888	\$ 5,218,638	67.0%	\$ 5,771,632	90.4%
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		
10/1/06	* 9/30/07	\$ 6,095,995	\$1,237,487	20.30%	\$ 1,237,487	100%
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.



**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
ALACHUA COUNTY LIBRARY DISTRICT**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CSFA NUMBER	FEDERAL EXPENDITURES	PROGRAM TOTAL	AMOUNT PROVIDED TO BENEFICIARIES
<u>DIVISION OF LIBRARY INFORMATION SERVICES</u>				
The Big Read ID# 21664	45.024	\$14,080	\$ 14,080	
Library Services and Technology Act ID# 06-LSTA-E-01	45.310	\$53,000	\$ 53,000	
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 67,080	\$ 67,080	

Basis of Presentation:

The accompanying Schedule of Federal Financial Assistance includes the Federal award activity of the Alachua County Board of County Commissioners and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, which is required by the U.S. Office of Management and Budget.

**SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
ALACHUA COUNTY LIBRARY DISTRICT**

STATE GRANTOR/ PROGRAM TITLE	STATE CSFA NUMBER	STATE EXPENDITURES	PROGRAM TOTAL
<u>DIVISION OF LIBRARY INFORMATION SERVICES</u>			
State Aid to Libraries ID# 07-ST-01	45.030	\$488,266	488,266
Gates Learning Grant ID# 06-GATES-01	N/A	\$52,500	52,500
TOTAL STATE FINANCIAL ASSISTANCE		\$540,766	\$540,766

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.



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters**

The Governing Board
Alachua County Library District
Alachua County, Florida

We have audited the financial statements of the Alachua County Library District (the "District") as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated January 29, 2008. 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 District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

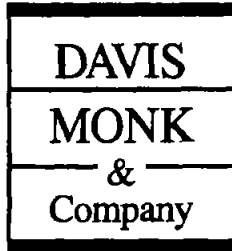
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, management, and oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Mink & Company

January 29, 2008
Gainesville, Florida



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**Report on Compliance and on Internal Control Over Compliance
Applicable to Each Major State Financial Assistance Project**

The Governing Board
Alachua County Library District
Alachua County, Florida

Compliance

We have audited the compliance of the Alachua County Library District (the "District") with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to its major state financial assistance project for the year ended September 30, 2007. The District's major state financial assistance project is identified in the summary of auditor's 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 project is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance 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 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major state financial assistance project for the year ended September 30, 2007.

Internal Control Over Compliance

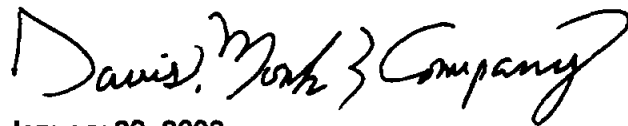
The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state financial assistance projects. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major state financial assistance project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Governing Board, management, and oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.



January 29, 2008
Gainesville, Florida

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2007
Alachua County Library District**

Part I – Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. The audit did not disclose significant deficiencies in internal control over the major state project.
5. The auditors' report on compliance for the major state project expresses an unqualified opinion.
6. The audit did not disclose any findings relative to the major state project.
7. The project tested as major is as follows:

<u>State Project</u>	<u>CSFA Number</u>
Division of Library Information Services, State Aid to Libraries	45.030

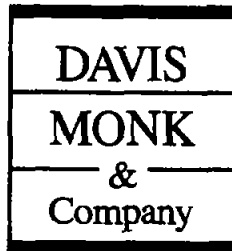
8. A threshold of \$162,230 was used to define Type A state projects.

Part II – Financial Statement Findings Section

None

Part III – Findings and Questioned Costs – State Financial Assistance Projects

None



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Management Letter

The Governing Board
Alachua County Library District
Alachua County, Florida

We have audited the financial statements of the Alachua County Library District (the "District") as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated January 29, 2008. We have also issued our report on internal control over financial reporting and on compliance and other matters. That report 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.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding audit. In that regard, there were no findings or recommendations made in the preceding audit report.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the District's annual financial report for the fiscal year ended September 30, 2007, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2007.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Governing Board, management, and oversight agencies, 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 the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

David, Mark } Company

January 29, 2008
Gainesville, Florida



alachua county
library district

...thinking outside the book

Alachua County Library District
Administration
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February 14, 2008

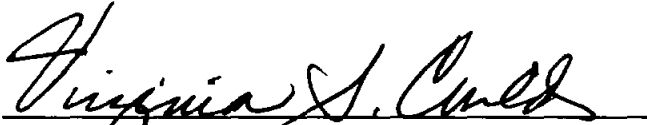
Honorable David W. Martin, CPA
Auditor General, State of Florida
P.O. Box 1735
Tallahassee, FL 32399-1450

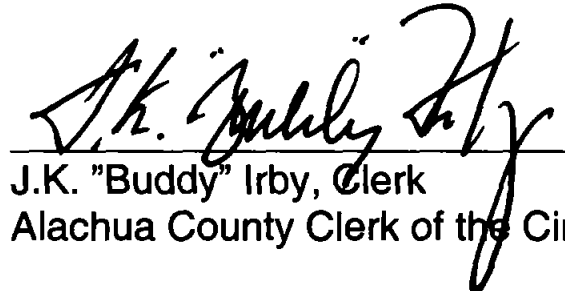
Dear Mr. Martin:

This is in response to the Independent Auditor's Management Letter for the Alachua County Library District, for the year ended September 30, 2007. We are happy to report that for the sixteenth year the Auditors found no significant deficiencies.

Thank you for your attention.

Sincerely,


Virginia S. Childs, Chair
Library District Governing Board


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

dmw

xc: file

