



**AVON LAKE PUBLIC LIBRARY  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**AVON LAKE PUBLIC LIBRARY  
LORAIN COUNTY**

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LORAIN COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Avon Lake Public Library  
Lorain County  
32649 Electric Boulevard  
Avon Lake, Ohio 44012

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Avon Lake Public Library, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Avon Lake Public Library, Lorain County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3 (A), for the years ended December 31, 2007 and December 31, 2006, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and

the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

September 8, 2008

**Avon Lake Public Library**  
**Lorain County**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and December 31, 2006  
Unaudited

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This discussion and analysis of the Avon Lake Public Library's, Lorain County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and December 31, 2006, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### Highlights

Key highlights for 2007 are as follows:

The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 95.5 percent of the total cash received for Library activities during the year.

The re-appraisal of all properties in Avon Lake resulted in an increase in real estate tax revenue of 15.5 percent.

A re-design of the public areas of the Young Adult department was completed. This included new furniture and computer workstations.

Concrete work was completed on the south side entrance, with additional work to be done in 2008.

Key highlights for 2006 are as follows:

The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 95.5 percent of the total cash received for Library activities during the year.

A replacement levy of 1.8 mill was overwhelmingly passed (74%) by the Avon Lake voters. This levy will be in place for the years 2007 thru 2011.

Several building projects were completed during the year, including:

- Re-design of the Children's Department, including a new façade.
- A sound reduction barrier was constructed in the Discovery Works area.
- The parking lot was repaved.

### Using the Basic Financial Statements

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

#### **Report Components**

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

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

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

**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

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

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

The statement of net assets and the statement of activities are comprised of governmental activities only:

Governmental Activities – The Library's services, support services and capital outlay are reported here. Property and other local taxes, intergovernmental revenue and government grants-in-aid finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Library's Most Significant Funds**

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



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**Lorain County**  
Management's Discussion and Analysis  
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Governmental Funds – The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2007 and 2006 on a cash basis:

(Table 1)  
**Net Assets**

Governmental Activities

	2007	2006
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$755,231	\$795,005
<i>Total Assets</i>	<u>\$755,231</u>	<u>\$795,005</u>
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$524,811	\$541,121
Unrestricted	<u>230,420</u>	<u>253,884</u>
<i>Total Net Assets</i>	<u>\$755,231</u>	<u>\$795,005</u>

**Avon Lake Public Library**  
**Lorain County**  
Management's Discussion and Analysis  
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Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006.

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

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$62,916	\$60,283
Total Program Receipts	62,916	60,283
General Receipts:		
Property Taxes Levied for General Purposes	1,368,472	1,185,041
Unrestricted Gifts and Contributions	220	505
Grants and Entitlements Not Restricted to Specific Programs	964,828	983,442
Interest	44,167	40,855
Miscellaneous	2,345	424
Total General Receipts	2,380,032	2,210,267
Total Receipts	2,442,948	2,270,550
Disbursements:		
Library Services	2,390,180	2,196,241
Capital Outlay	92,542	143,867
Total Disbursements	2,482,722	2,340,108
Change in Net Assets	(39,774)	(69,558)
Net Assets, January 1	795,005	864,563
Net Assets, December 31	\$755,231	\$795,005

The general receipts, primarily property taxes and intergovernmental receipts, in 2007 and 2006 are 95.5 percent and 95.5 percent respectively, of total receipts.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services and business administration represent the cost of running the Library and are reported as Library Services.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities, which are reported as Library Services, are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, and Capital Outlay. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Avon Lake Public Library**  
**Lorain County**  
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Unaudited

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(Table 3)  
**Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Library Services	\$2,390,180	\$2,327,264	\$2,196,241	\$2,135,958
Capital Outlay	<u>92,542</u>	<u>92,542</u>	<u>143,867</u>	<u>143,867</u>
Total Disbursements	<u>\$2,482,722</u>	<u>\$2,419,806</u>	<u>\$2,340,108</u>	<u>\$2,279,825</u>

The dependence upon property taxes and intergovernmental revenue is apparent as over 97.4 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts (not including transfers) of \$2,442,948 and \$2,270,550 and disbursements (not including transfers) of \$2,482,722 and \$2,340,108 in 2007 and 2006, respectively. The 2007 General Fund balance decreased (\$23,464) as a result of a (\$50,000) transfer of funds to the Building Fund. The 2006 General Fund balance decreased (\$289,703) as a result of a (\$350,000) transfer of funds to the Building Fund. With the passage of the Operating Levy in May 2006, the Library is confident of its financial condition and its ability to provide continued services to the public.

**General Fund Budgeting Highlights**

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

During 2007 and 2006, the Library's General Fund budget was stable. Final budgeted receipts were budgeted at \$2,366,320 and \$2,185,979 while actual receipts were \$2,416,716 and \$2,256,538 for 2007 and 2006, respectively.

Final disbursements and other financing uses were budgeted at \$2,509,248 and \$2,377,973 while actual disbursements and other financing uses were \$2,551,253 and \$2,616,064 for 2007 and 2006, respectively.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and intergovernmental revenue.

**Avon Lake Public Library**  
**Lorain County**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and December 31, 2006  
Unaudited

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lorie Scheer, Clerk-Treasurer, Avon Lake Public Library, 32649 Electric Blvd., Avon Lake, Ohio, 44012.

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$755,231</u>
<i>Total Assets</i>	<u><u>\$755,231</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$524,811
Unrestricted	<u>230,420</u>
<i>Total Net Assets</i>	<u><u>\$755,231</u></u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Library Services:	\$2,390,180	\$62,916	(\$2,327,264)
Capital Outlay	92,542		(92,542)
<i>Total Governmental Activities</i>	<u>\$2,482,722</u>	<u>\$62,916</u>	<u>\$ (2,419,806)</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			\$ 1,368,472
Unrestricted Gifts and Contributions			220
Grants and Entitlements not Restricted to Specific Programs			964,828
Interest			44,167
Miscellaneous			<u>2,345</u>
<i>Total General Receipts</i>			\$ 2,380,032
Change in Net Assets			(39,774)
<i>Net Assets Beginning of Year</i>			<u>795,005</u>
<i>Net Assets End of Year</i>			<u>\$755,231</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	Building	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$230,420	\$524,811	\$755,231
<i>Total Assets</i>	<u>\$230,420</u>	<u>\$524,811</u>	<u>\$755,231</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$111,073		\$111,073
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	119,347		119,347
Capital Projects Funds		524,811	524,811
<i>Total Fund Balances</i>	<u>\$230,420</u>	<u>\$524,811</u>	<u>\$755,231</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Reconciliation of the Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2007*

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<b>Total Governmental Fund Balances</b>	<u>\$755,231</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$755,231</u></u>
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See accompanying notes to the basic financial statements



**Avon Lake Public Library  
Lorain County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	General	Building	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,368,472		\$1,368,472
Intergovernmental	964,828		964,828
Patron Fines and Fees	62,916		62,916
Contributions, Gifts and Donations	220		220
Earnings on Investments	17,935	26,232	44,167
Miscellaneous	2,345		2,345
<i>Total Receipts</i>	<u>2,416,716</u>	<u>26,232</u>	<u>2,442,948</u>
<b>Disbursements</b>			
Current:			
Library Services:	2,390,180		2,390,180
Capital Outlay		92,542	92,542
<i>Total Disbursements</i>	<u>2,390,180</u>	<u>92,542</u>	<u>2,482,722</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>26,536</u>	<u>(66,310)</u>	<u>(39,774)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		50,000	50,000
Transfers Out	(50,000)		(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(23,464)	(16,310)	(39,774)
<i>Fund Balances Beginning of Year</i>	<u>253,884</u>	<u>541,121</u>	<u>795,005</u>
<i>Fund Balances End of Year</i>	<u>\$230,420</u>	<u>\$524,811</u>	<u>\$755,231</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library  
Lorain County**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2007*

**Net Change in Fund Balances - Total Governmental Funds** (\$39,774)

*Change in Net Assets of Governmental Activities* (\$39,774)

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 1,442,361	\$ 1,442,361	\$ 1,368,472	\$ (73,889)
Intergovernmental	858,959	858,959	964,828	105,869
Patron Fines and Fees	47,000	47,000	62,916	15,916
Contributions, Gifts and Donations	350	350	220	(130)
Earnings on Investments	3,000	3,000	17,935	14,935
Miscellaneous	14,650	14,650	2,345	(12,305)
<i>Total Receipts</i>	<u>2,366,320</u>	<u>2,366,320</u>	<u>2,416,716</u>	<u>50,396</u>
<b>Disbursements</b>				
Current:				
Library Services:	2,509,248	2,509,248	2,501,253	7,995
<i>Total Disbursements</i>	<u>2,509,248</u>	<u>2,509,248</u>	<u>2,501,253</u>	<u>7,995</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(142,928)</u>	<u>(142,928)</u>	<u>(84,537)</u>	<u>58,391</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>0</u>	<u>0</u>	<u>(50,000)</u>	<u>(50,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(50,000)</u>	<u>(50,000)</u>
<i>Net Change in Fund Balance</i>	(142,928)	(142,928)	(134,537)	8,391
<i>Fund Balance Beginning of Year</i>	184,061	184,061	184,061	0
Prior Year Encumbrances Appropriated	<u>69,823</u>	<u>69,823</u>	<u>69,823</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 110,956</u>	<u>\$ 110,956</u>	<u>\$ 119,347</u>	<u>8,391</u>

See accompanying notes to the basic financial statements

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**Avon Lake Public Library**  
**Lorain County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$795,005</u>
<i>Total Assets</i>	<u><u>\$795,005</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$541,121
Unrestricted	<u>253,884</u>
<i>Total Net Assets</i>	<u><u>\$795,005</u></u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts  Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets  Governmental Activities
<b>Governmental Activities</b>			
Library Services:	\$2,196,241	\$60,283	(\$2,135,958)
Capital Outlay	143,867		(143,867)
<i>Total Governmental Activities</i>	<u>\$2,340,108</u>	<u>\$60,283</u>	<u>\$ (2,279,825)</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes		\$	1,185,041
Unrestricted Gifts and Contributions			505
Grants and Entitlements not Restricted to Specific Programs			983,442
Interest			40,855
Miscellaneous			424
<i>Total General Receipts</i>		\$	2,210,267
Change in Net Assets			(69,558)
<i>Net Assets Beginning of Year</i>			<u>864,563</u>
<i>Net Assets End of Year</i>			<u>\$795,005</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	<u>General</u>	<u>Building</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$253,884</u>	<u>\$541,121</u>	<u>\$795,005</u>
<i>Total Assets</i>	<u><u>\$253,884</u></u>	<u><u>\$541,121</u></u>	<u><u>\$795,005</u></u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$69,823		\$69,823
Undesignated (Deficit), Reported in:			
General Fund	184,061		184,061
Capital Projects Funds		541,121	541,121
<i>Total Fund Balances</i>	<u><u>\$253,884</u></u>	<u><u>\$541,121</u></u>	<u><u>\$795,005</u></u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Reconciliation of the Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2006*

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<b>Total Governmental Fund Balances</b>	<u>\$795,005</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$795,005</u></u>
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See accompanying notes to the basic financial statements



**Avon Lake Public Library**

**Lorain County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*

*Governmental Funds*

*For the Year Ended December 31, 2006*

	General	Building	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,185,041		\$1,185,041
Intergovernmental	983,442		983,442
Patron Fines and Fees	60,283		60,283
Contributions, Gifts and Donations	505		505
Earnings on Investments	26,843	14,012	40,855
Miscellaneous	424		424
<i>Total Receipts</i>	<u>\$2,256,538</u>	<u>\$14,012</u>	<u>\$2,270,550</u>
<b>Disbursements</b>			
Current:			
Library Services:	2,196,241		2,196,241
Capital Outlay		143,867	143,867
<i>Total Disbursements</i>	<u>2,196,241</u>	<u>143,867</u>	<u>2,340,108</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>60,297</u>	<u>(129,855)</u>	<u>(69,558)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		350,000	350,000
Transfers Out	(350,000)		(350,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(350,000)</u>	<u>350,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(289,703)	220,145	(69,558)
<i>Fund Balances Beginning of Year</i>	<u>543,587</u>	<u>320,976</u>	<u>864,563</u>
<i>Fund Balances End of Year</i>	<u>\$253,884</u>	<u>\$541,121</u>	<u>\$795,005</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (69,558)

*Change in Net Assets of Governmental Activities* \$ (69,558)

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
**Lorain County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 1,322,394	\$ 1,322,394	\$ 1,185,041	\$ (137,353)
Intergovernmental	789,585	789,585	983,442	193,857
Patron Fines and Fees	55,950	55,950	60,283	4,333
Contributions, Gifts and Donations	350	350	505	155
Earnings on Investments	3,000	3,000	26,843	23,843
Miscellaneous	14,700	14,700	424	(14,276)
<i>Total Receipts</i>	<u>2,185,979</u>	<u>2,185,979</u>	<u>2,256,538</u>	<u>70,559</u>
<b>Disbursements</b>				
Current:				
Library Services:	2,377,973	2,377,973	2,266,064	111,909
<i>Total Disbursements</i>	<u>2,377,973</u>	<u>2,377,973</u>	<u>2,266,064</u>	<u>111,909</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(191,994)</u>	<u>(191,994)</u>	<u>(9,526)</u>	<u>182,468</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>0</u>	<u>0</u>	<u>(350,000)</u>	<u>(350,000)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(350,000)</u>	<u>(350,000)</u>
<i>Net Change in Fund Balance</i>	(191,994)	(191,994)	(359,526)	(167,532)
<i>Fund Balance Beginning of Year</i>	428,672	428,672	428,672	0
Prior Year Encumbrances Appropriated	<u>114,915</u>	<u>114,915</u>	<u>114,915</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 351,593</u>	<u>\$ 351,593</u>	<u>\$ 184,061</u>	<u>\$ (167,532)</u>

See accompanying notes to the basic financial statements

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**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 1 – Description of the Library and Reporting Entity**

The Avon Lake Public Library was organized as a school district public library in 1931 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Avon Lake Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Avon Lake City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Avon Lake Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization.

GASB Statement 39 states "organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government."

The Friends of the Avon Lake Public Library, Inc. does not meet the third criteria and therefore, this organization has been excluded from the reporting entity of the Library.

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

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, the financial statements of the Avon Lake Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *cash* basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. The statement of net assets presents the cash and investment balances of the governmental activities of the Library at each year-end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts with certain limited exceptions. The comparison of direct disbursements with program receipts identified the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Governmental Funds

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents

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

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**E. Cash and Cash Equivalents (Continued)**

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

During 2007 and 2006, the Library maintained a conservative, liquid position with respect to investments and all funds considered as investments were invested with the State Asset Treasury Reserve (STAR Ohio).

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General and Building Funds during 2007, amounted to \$17,935 and \$26,232, respectively. Interest receipts credited to the General and Building Funds during 2006 amounted to \$26,843 and \$14,012, respectively.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.



**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**J. Net Assets (Continued)**

In 2007, the government-wide statement of net assets reports \$755,231 of total net assets, of which \$524,811 is restricted for capital projects. In 2006, the government-wide statement of net assets reports \$795,005 of total net assets, of which \$541,121 is restricted for capital projects.

**K. Fund Balance Reserves**

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

**L. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – (A) Change in Basis of Accounting and (B) Compliance**

**(A)** For the year ended December 31, 2005, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State's Office. For the years ended December 31, 2006 and 2007, the Library revised its financial presentation comparable to the requirements of GASB Statement No. 34, "Basis Financial Statements – and Management's Discussion and Analysis for State and Local Governments." The financial statements now include entity-wide financial statements, which present information for the Library as a whole, and fund financial statements, which present information for individual major funds rather than by fund type.

**(B)** At December 31, 2006 the Library's General Fund / Transfers-Out line item had expenditures plus encumbrances in excess of appropriations by \$350,000 contrary to Ohio Administrative Code Section 117-8-02. The Library will more closely monitor its budgetary activity to ensure that expenditures plus encumbrances and year end transfers from the General Fund to the Building Fund do not exceed appropriations.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end for the General Fund amounted to \$111,073 and \$69,823, for the years 2007 and 2006, respectively

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 5 – Deposits and Investments**

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

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

At each year end, the Library had \$315 in undeposited cash on hand for petty cash purposes which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 5 – Deposits and Investments (Continued)**

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$213,345 and \$145,580 of the Library's bank balance of \$328,357 and \$345,580, for 2007 and 2006, respectively was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At fiscal year end 2007, the carrying amount of the Library's deposits was \$228,559. At fiscal year end 2006, the carrying amount of the Library's deposits was \$332,505.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

STAR Ohio (General Fund)	\$ 11,779
STAR Ohio (Building Fund)	<u>\$514,578</u>
Total Investments	<u>\$526,357</u>

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

STAR Ohio (General Fund)	\$182,855
STAR Ohio (Building Fund)	<u>\$279,330</u>
Total Investments	<u>\$462,185</u>

Interest Rate Risk

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. The Library investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow.

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

Credit Risk

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

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 5 – Deposits and Investments (Continued)**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states: “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Note 6 – Grants In Aid and Property Taxes**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Fund (“LLGSF”). The state allocates LLGSF to each county based on the county’s prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Avon Lake School District. Property tax receipts received in 2007 and 2006 for real and public utility property taxes represents collections of the 2006 and 2005 taxes, respectively. Property tax payments received during 2007 and 2006 for tangible personal property (other than public utility property) is for 2007 and 2006 taxes, respectively.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008. 2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31 are levied after October 1, 2007, and are collected in 2008 with real property taxes. 2006 public utility property taxes which became a lien on December 31 are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20.

Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2007 and December 31, 2006

**Note 6 – Grants In Aid and Property Taxes (Continued)**

The full tax rate for all Library operations for the years ended December 31, 2007 and December 31, 2006 was \$1.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 and 2006 property tax receipts were based are as follows:

<u>2007</u>	
Real Property	\$732,930,700
Public Utility Property	82,074,850
Tangible Personal Property	32,948,472
Total Assessed Values	<u>\$847,954,022</u>
 <u>2006</u>	
Real Property	\$639,000,320
Public Utility Property	89,484,090
Tangible Personal Property	52,701,113
Total Assessed Values	<u>\$781,185,523</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**Note 7 – Interfund Transfers**

The General Fund transferred \$50,000 and \$350,000 to the Building Fund in 2007 and 2006, respectively. The purpose of these transfers was to continue the Library's efforts to build this fund substantially in anticipation of future capital project requirements.

**Note 8 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007 and 2006, the Library contracted with several companies for various types of insurance coverage as follows:

<b>2007 Coverage:</b>		
<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Motorists Mutual Insurance Company	Commercial Property	\$8,698,459
	General Liability	\$4,000,000
	Inland Marine	\$369,000
	Blanket	\$8,598,459
	Vehicle	\$1,000,000
	Umbrella	\$2,000,000
Utica National Insurance Group/Chubb Group of Insurance Companies	Errors and Omissions	\$1,000,000/\$3,000,000
	Library Officials	\$1,000,000/\$3,000,000
	Employment Practices	\$1,000,000/\$3,000,000
State Auto Insurance Companies	Surety Bond	\$10,000

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2007 and December 31, 2006

**Note 8 - Risk Management (Continued)**

**2006 Coverage:**

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Motorists Mutual Insurance Company	Commercial Property	\$8,698,459
	General Liability	\$4,000,000
	Inland Marine	\$369,000
	Blanket	\$8,598,459
	Vehicle	\$1,000,000
	Umbrella	\$2,000,000
Utica National Insurance Group/	Errors and Omissions	\$1,000,000/\$3,000,000
	Library Officials	\$1,000,000/\$3,000,000
	Employment Practices	\$1,000,000/\$3,000,000
State Auto Insurance Companies	Surety Bond	\$10,000

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

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

**Note 9 - Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Library's contribution rate for 2007 and 2006 was 13.85 percent and 13.70 percent, respectively, of covered payroll. For the period January 1, through June 30, 2007, a portion of the Library's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. For the period January 1, through December 31, 2006, a portion of the Library's contribution equal to 4.5 percent of covered payroll was allocated to fund the post-employment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 9 - Defined Benefit Pension Plan (Continued)**

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$165,853, \$153,046 and \$151,617 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 and 2006 were \$1,953, and \$2,186 made by the Library and \$1,339 and \$1,436 made by the plan members, respectively.

**Note 10 - Postemployment Benefits**

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 - 7377.

The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007 and 2006 local government employers contributed 13.85 and 13.70 percent of covered payroll, respectively. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007 and 4.5 percent of covered payroll from January 1 through December 31, 2006.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$65,379, \$44,917, and \$44,757 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

**Avon Lake Public Library**  
**Lorain County**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2007 and December 31, 2006*

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**Note 11 – Leases**

The Library has no material leases for the years ended December 31, 2007 and December 31, 2006.

**Note 12 – Change in Accounting Principles**

For 2007, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding a plan. The implementation of this statement did not result in any change to the Library's financial statements.





# Mary Taylor, CPA

Auditor of State

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

Avon Lake Public Library  
Lorain County  
32649 Electric Boulevard  
Avon Lake, Ohio 44012

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Avon Lake Public Library, Lorain County, (the Library) as of and for the years ended December 31, 2007, and December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 8, 2008, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Internal Control Over Financial Reporting (Continued)**

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 8, 2008.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

September 8, 2008

AVON LAKE PUBLIC LIBRARY  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

**Expenditures Plus Encumbrances vs. Appropriations – Noncompliance Finding**

**Ohio Administrative Code Section 117-8-02** states the Library's legislative body shall adopt appropriation measures. These measures establish the legal level of control.

The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. The Library's legal level of control is at the fund and character or major category of the object code level for all funds. At December 31, 2006, the Library's General Fund had expenditures plus encumbrances in excess of appropriations plus prior carry over encumbrances at the legal level of control:

Fund	Expenditures Plus Encumbrances	Appropriations	Variance
General Fund Transfers-Out	\$350,000	\$0	(\$350,000)

We recommend the Library verify that all expenditures and encumbrances have proper appropriation authority, including transfers, prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted, at the legal level of control to maintain compliance with the above requirements.

**Official's Response:**

The Library will more closely monitor its budgetary activity to ensure that expenditures plus encumbrances and year end transfers from the General Fund to the Building Fund do not exceed appropriations.





**Mary Taylor, CPA**  
Auditor of State

**AVON LAKE PUBLIC LIBRARY**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 9, 2008**