



**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2005.....	9
Statement of Activities – Cash Basis For the Year Ended December 31, 2005	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2005.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Government Activities December 31, 2005.....	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2005	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2005	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis December 31, 2004.....	17
Statement of Activities – Cash Basis For the Year Ended December 31, 2004	18
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2004.....	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Government Activities December 31, 2004.....	20
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Year Ended December 31, 2004	21

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2004	22
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2004	23
Notes to the Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakewood Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, 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 information of the Lakewood Public Library, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3, for the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The Library also adopted Governmental Accounting Standard No. 40.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2006, 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.

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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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 8, 2006

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

This discussion and analysis of the Lakewood Public Library's, Cuyahoga County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and December 31, 2004 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 2005 are as follows:

Net assets of governmental activities increased \$1,199,997, or 7.1 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund. The increase in net assets was primarily due to higher interest income due to higher rates at STAR Ohio as well as expenditures below the appropriated levels in salaries, benefits and contracted services.

The Library's general receipts are primarily property taxes and Library and Local Government Support Fund ("LLGSF"). These receipts represent 94.6 percent of the total cash received for governmental activities during the year. Property taxes and LLGSF tax receipts for 2005 changed very little compared to 2004 due to stable tax rates and due to a freeze of LLGSF by the Ohio Government.

The Library is preparing for a building addition and building renovation project to commence in 2006.

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$357,088, or 2.2 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund. The increase in net assets was primarily due to expenditures below the appropriated levels in salaries, benefits, contracted services and library materials.

The Library's general receipts are primarily property taxes and Library and Local Government Support Fund ("LLGSF"). These receipts represent 90.8 percent of the total cash received for governmental activities during the year. Property taxes and LLGSF tax receipts for 2004 changed very little compared to 2003 due to stable tax rates and due to a freeze of LLGSF by the Ohio Government.

The Library is planning for a building addition and building renovation project to commence in 2006.

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.

**LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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 governmental function or business-type activity 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 local revenue sources such as property and income taxes.

**LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

In the statement of net assets and the statement of activities, the Library reports Governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Governmental Funds - The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2005 and 2004, the Library's major governmental funds were 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 2005, 2004 and 2003 on a cash basis.

	Governmental Activities		
	2005	2004	2003
Restricted for:			
Capital Projects	\$13,988,760	\$14,118,821	\$14,434,095
Purpose			
Other Purpose	511,281	495,849	656,970
Unrestricted	3,625,500	2,310,874	1,477,391
Total Net Assets	\$18,125,541	\$16,925,544	\$16,568,456

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented comparing 2004 to 2003. In future years, when prior year information is available, a comparative analysis will be presented.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$99,831	\$248,608
Capital Grants and Contributions	0	0
Total Program Receipts	<u>99,831</u>	<u>248,608</u>
General Receipts:		
Property and Other Local Taxes	2,311,793	2,296,003
Intergovernmental	2,377,235	2,367,486
Unrestricted Grants and Contributions	3,302	7,210
Interest	544,794	217,850
Total General Receipts	<u>5,237,124</u>	<u>4,888,549</u>
Total Receipts	<u>5,336,955</u>	<u>5,137,157</u>
Disbursements:		
Library Services:		
Public Service and Programs	1,224,395	1,228,061
Collection Development and Processing	1,351,681	1,738,246
Support Services:		
Facilities Operation and Maintenance	495,467	617,477
Information Services	27,944	25,987
Business Administration	490,559	467,494
Capital Outlay	546,912	702,804
Total Disbursements	<u>4,136,958</u>	<u>4,780,069</u>
Increase in Net Assets	1,199,997	357,088
Net Assets, Beginning of Year	<u>16,925,544</u>	<u>16,568,456</u>
Net Assets, End of Year	<u>\$18,125,541</u>	<u>\$16,925,544</u>

For 2005, program receipts represent only 1.9 percent of total receipts and are primarily comprised of Charges for Services and Sales. General receipts represent 98.3 percent of the Library's total receipts, and of this amount, over 43.3 percent are Property Taxes Levied for General Purposes. Intergovernmental state grants and entitlements (LLGSF) make up another 44.5 percent of the Library's total receipts.

For 2004, program receipts represent only 5.0 percent of total receipts and are primarily comprised of Charges for Services and Sales. General receipts represent 95.0 percent of the Library's total receipts, and of this amount, over 44.7 percent are Property Taxes Levied for General Purposes. Intergovernmental state grants and entitlements (LLGSF) make up another 46.1 percent of the Library's total receipts.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

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

Governmental Activities

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

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Library Services:				
Public Service and Programs	\$1,224,395	\$1,132,957	1,228,061	\$1,107,200
Collection Development and Processing	1,351,681	1,349,723	1,738,246	1,736,633
Support Services				
Facilities Operation and Maintenance	495,467	495,419	617,477	617,474
Information Services	27,944	27,944	25,987	25,987
Business Administration	490,559	487,702	467,494	463,746
Capital Outlay	546,912	543,382	702,804	580,421
Total Expenses	<u>\$4,136,958</u>	<u>\$4,037,127</u>	<u>\$4,780,069</u>	<u>\$4,531,461</u>

The Library's Funds

In 2005 total governmental funds had receipts of \$5,336,955 and disbursements of \$4,136,958. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1,314,626 as a result of prudent business management.

In 2004 total governmental funds had receipts of \$5,137,157 and disbursements of \$4,780,069. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$833,483 as a result of prudent business management.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2005 and December 31, 2004
Unaudited

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 2005, the Library did not amend its General Fund budget. Final disbursements were budgeted at \$3,878,651 while actual disbursements were \$3,638,961. Final budgeted receipts were below actual receipts. The difference between final budgeted receipts and actual receipts was \$57,028. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the Library to experience a net increase of \$1,314,626 to the General Fund.

During 2004, the Library did not amend its General Fund budget. Final disbursements were budgeted at \$4,216,544 while actual disbursements were \$4,018,860. Final budgeted receipts were below actual receipts. The difference between final budgeted receipts and actual receipts was \$24,253. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the Library to experience a net increase of \$833,483 to the General Fund.

Debt Administration & Capital Assets

At December 31, 2005 and 2004 the Library had no debt obligations. Also, the Library currently does not trade its capital assets or infrastructure.

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 have very little industry to support the tax base. The Library is in the process of renovating its Main Library and building a new addition of approximately 40,000 square feet. The main focus of the Library will be to manage this significant building project while maintaining its current programming.

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 Timothy P. Laskey, Clerk-Treasurer, Lakewood Public Library, 15425 Detroit Avenue, Lakewood, Ohio, 44107.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,125,541</u>
<i>Total Assets</i>	<u><u>\$18,125,541</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$13,988,760
Permanent Fund Purpose Nonexpendable	511,281
Unrestricted	<u>3,625,500</u>
<i>Total Net Assets</i>	<u><u>\$18,125,541</u></u>

See accompanying notes to the basic financial statements.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	1,224,395	91,438	(\$1,132,957)
Collection Development and Processing	1,351,681	1,958	(1,349,723)
Support Services:			
Facilities Operation and Maintenance	495,467	48	(495,419)
Information Services	27,944		(27,944)
Business Administration	490,559	2,857	(487,702)
Capital Outlay	546,912	3,530	(543,382)
<i>Total Governmental Activities</i>	<u>\$4,136,958</u>	<u>\$99,831</u>	<u>(4,037,127)</u>
General Receipts			
Property Taxes Levied for General Purposes			2,311,793
Grants and Entitlements not Restricted to Specific Programs			2,377,235
Unrestricted Gifts and Contributions			3,302
Interest			<u>544,794</u>
Total General Receipts			5,237,124
Change in Net Assets			1,199,997
<i>Net Assets Beginning of Year</i>			<u>16,925,544</u>
<i>Net Assets End of Year</i>			<u><u>\$18,125,541</u></u>

See accompanying notes to the basic financial statements.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,625,500	\$12,104,949	\$2,395,092	\$18,125,541
<i>Total Assets</i>	<u>\$3,625,500</u>	<u>\$12,104,949</u>	<u>\$2,395,092</u>	<u>\$18,125,541</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$79,171	\$0	\$0	\$79,171
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	3,546,329	0	0	3,546,329
Capital Projects Funds	0	12,104,949	1,883,811	13,988,760
Permanent Funds	0	0	511,281	511,281
<i>Total Fund Balances</i>	<u>\$3,625,500</u>	<u>\$12,104,949</u>	<u>\$2,395,092</u>	<u>\$18,125,541</u>

See accompanying notes to the basic financial statements.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Government Activities
December 31, 2005

Total Government Fund Balances	<u>\$18,125,541</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$18,125,541</u></u>

See accompanying notes to the basic financial statements.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,311,793	\$0	\$0	\$2,311,793
Intergovernmental	2,377,235	0	0	2,377,235
Patron Fines and Fees	88,294	0	0	88,294
Contributions, Gifts and Donations	3,302	0	0	3,302
Interest	164,956	364,406	15,432	544,794
Miscellaneous	8,007	665	2,865	11,537
<i>Total Receipts</i>	<u>4,953,587</u>	<u>365,071</u>	<u>18,297</u>	<u>5,336,955</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,224,395	0	0	1,224,395
Collection Development and Processing	1,351,681	0	0	1,351,681
Support Services:				
Facilities Operation and Maintenance	495,467	0	0	495,467
Information Services	27,944	0	0	27,944
Business Administration	490,559	0	0	490,559
Capital Outlay	48,915	479,037	18,960	546,912
<i>Total Disbursements</i>	<u>3,638,961</u>	<u>479,037</u>	<u>18,960</u>	<u>4,136,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,314,626</u>	<u>(113,966)</u>	<u>(663)</u>	<u>1,199,997</u>
Other Financing Sources (Uses)				
Transfers In	0	179,624	0	179,624
Transfers Out	0	0	(179,624)	(179,624)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>179,624</u>	<u>(179,624)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,314,626	65,658	(180,287)	1,199,997
<i>Fund Balances Beginning of Year</i>	<u>2,310,874</u>	<u>12,039,291</u>	<u>2,575,379</u>	<u>16,925,544</u>
<i>Fund Balances End of Year</i>	<u>\$3,625,500</u>	<u>\$12,104,949</u>	<u>\$2,395,092</u>	<u>\$18,125,541</u>

See accompanying notes to the basic financial statements.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year ended December 31, 2005*

Net Changes in Fund Balances - Total Governmental Funds	<u>\$1,199,997</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,199,997</u></u>

See accompanying notes to the basic financial statements.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
General Fund
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
For the Year Ended December 31, 2005

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$2,274,883	\$2,274,883	\$2,311,793	\$36,910
Intergovernmental	2,460,676	2,460,676	2,377,235	(83,441)
Patron Fines and Fees	90,000	90,000	88,294	(1,706)
Contributions, Gifts and Donations	5,000	5,000	3,302	(1,698)
Earnings on Investments	66,000	66,000	164,956	98,956
Miscellaneous	0	0	8,007	8,007
<i>Total Receipts</i>	<u>4,896,559</u>	<u>4,896,559</u>	<u>4,953,587</u>	<u>57,028</u>
Disbursements				
Library Services:				
Public Service and Programs	1,316,259	1,316,259	1,224,395	\$91,864
Collection Development and Processing	1,419,544	1,419,544	1,351,681	67,863
Support Services:				
Facilities Operation and Maintenance	571,661	571,661	495,467	76,194
Information Services	56,000	56,000	27,944	28,056
Business Administration	490,187	490,187	490,559	(372)
Capital Outlay	25,000	25,000	48,915	(23,915)
<i>Total Disbursements</i>	<u>3,878,651</u>	<u>3,878,651</u>	<u>3,638,961</u>	<u>239,690</u>
<i>Net Change in Fund Balance</i>	1,017,908	1,017,908	1,314,626	296,718
<i>Fund Balance Beginning of Year</i>	<u>2,310,874</u>	<u>2,310,874</u>	<u>2,310,874</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,328,782</u></u>	<u><u>\$3,328,782</u></u>	<u><u>\$3,625,500</u></u>	<u><u>\$296,718</u></u>

See accompanying notes to the basic financial statements.

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LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$16,925,544</u>
<i>Total Assets</i>	<u><u>\$16,925,544</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$14,118,821
Permanent Fund Purpose Nonexpendable	495,849
Unrestricted	<u>2,310,874</u>
<i>Total Net Assets</i>	<u><u>\$16,925,544</u></u>

See accompanying notes to the basic financial statements.

LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	1,228,061	120,861	(\$1,107,200)
Collection Development and Processing	1,738,246	1,613	(1,736,633)
Support Services:			
Facilities Operation and Maintenance	617,477	3	(617,474)
Information Services	25,987	0	(25,987)
Business Administration	467,494	3,748	(463,746)
Capital Outlay	702,804	122,383	(580,421)
<i>Total Governmental Activities</i>	<u>\$4,780,069</u>	<u>\$248,608</u>	<u>(4,531,461)</u>
General Receipts			
Property Taxes Levied for General Purposes			2,296,003
Grants and Entitlements not Restricted to Specific Programs			2,367,486
Unrestricted Gifts and Contributions			7,210
Interest			<u>217,850</u>
Total General Receipts			4,888,549
Change in Net Assets			357,088
<i>Net Assets Beginning of Year</i>			<u>16,568,456</u>
<i>Net Assets End of Year</i>			<u><u>\$16,925,544</u></u>

See accompanying notes to the basic financial statements.

LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,310,874	\$12,039,291	\$2,575,379	\$16,925,544
<i>Total Assets</i>	<u>\$2,310,874</u>	<u>\$12,039,291</u>	<u>\$2,575,379</u>	<u>\$16,925,544</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$32,573	\$12,713	\$398	\$45,684
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	2,278,301	0	0	2,278,301
Capital Projects Funds	0	12,026,578	2,079,132	14,105,710
Permanent Funds	0	0	495,849	495,849
<i>Total Fund Balances</i>	<u>\$2,310,874</u>	<u>\$12,039,291</u>	<u>\$2,575,379</u>	<u>\$16,925,544</u>

See accompanying notes to the basic financial statements.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Reconciliation of Total Governmental Fund Balances to
Net Assets of Government Activities
December 31, 2004

Total Government Fund Balances	<u>\$16,925,544</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$16,925,544</u></u>

See accompanying notes to the basic financial statements.

**LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004*

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,296,003	\$0	\$0	\$2,296,003
Intergovernmental	2,367,486	0	0	2,367,486
Patron Fines and Fees	89,996	0	0	89,996
Contributions, Gifts and Donations	7,210	0	0	7,210
Interest	55,419	156,166	6,265	217,850
Miscellaneous	36,229	0	122,383	158,612
<i>Total Receipts</i>	<u>4,852,343</u>	<u>156,166</u>	<u>128,648</u>	<u>5,137,157</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,228,061	0	0	1,228,061
Collection Development and Processing	1,738,246	0	0	1,738,246
Support Services:				
Facilities Operation and Maintenance	523,427	0	94,050	617,477
Information Services	25,987	0	0	25,987
Business Administration	467,494	0	0	467,494
Capital Outlay	35,645	667,159	0	702,804
<i>Total Disbursements</i>	<u>4,018,860</u>	<u>667,159</u>	<u>94,050</u>	<u>4,780,069</u>
<i>Net Change in Fund Balance</i>	833,483	(510,993)	34,598	357,088
<i>Fund Balance Beginning of Year</i>	<u>1,477,391</u>	<u>12,550,284</u>	<u>2,540,781</u>	<u>16,568,456</u>
<i>Fund Balance End of Year</i>	<u>\$2,310,874</u>	<u>\$12,039,291</u>	<u>\$2,575,379</u>	<u>\$16,925,544</u>

See accompanying notes to the basic financial statements.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Net Changes in Fund Balances - Total Governmental Funds	<u>\$357,088</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$357,088</u></u>

See accompanying notes to the basic financial statements.

**LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

General Fund

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
For the Year Ended December 31, 2004*

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$2,307,015	\$2,307,015	\$2,296,003	(\$11,012)
Intergovernmental	2,371,075	2,371,075	2,367,486	(3,589)
Patron Fines and Fees	90,000	90,000	89,996	(4)
Contributions, Gifts and Donations	5,000	5,000	7,210	2,210
Earnings on Investments	55,000	55,000	55,419	419
Miscellaneous	0	0	36,229	36,229
<i>Total Receipts</i>	<u>4,828,090</u>	<u>4,828,090</u>	<u>4,852,343</u>	<u>24,253</u>
Disbursements				
Library Services:				
Public Service and Programs	1,261,706	1,261,706	1,228,061	\$33,645
Collection Development and Processing	1,773,718	1,773,718	1,738,246	35,472
Support Services:				
Facilities Operation and Maintenance	561,501	561,501	523,427	38,074
Information Services	118,000	118,000	25,987	92,013
Business Administration	465,619	465,619	467,494	(1,875)
Capital Outlay	36,000	36,000	35,645	355
<i>Total Disbursements</i>	<u>4,216,544</u>	<u>4,216,544</u>	<u>4,018,860</u>	<u>197,684</u>
<i>Net Change in Fund Balance</i>	611,546	611,546	833,483	221,937
<i>Fund Balance Beginning of Year</i>	<u>1,477,391</u>	<u>1,477,391</u>	<u>1,477,391</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,088,937</u></u>	<u><u>\$2,088,937</u></u>	<u><u>\$2,310,874</u></u>	<u><u>\$221,937</u></u>

See accompanying notes to the basic financial statements.

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**LAKESWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004

Note 1 – Description of the Library and Reporting Entity

The Lakewood Public Library was organized as a school district public library in 1916 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Lakewood 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 Lakewood 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 Lakewood 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. 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.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Lakewood 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 and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets presents the cash balance of the governmental of the Library at 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 or regulatory program for which the Library is responsible. 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity 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 (and enterprise) fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental funds 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:

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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 capital projects 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 modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) 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 expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund 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 revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue 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."

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents (Continued)

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 (contra revenue), respectively.

During 2005 and 2004, the library invested in 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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds amounted to \$544,794 in 2005 and \$217,850 in 2004.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The library has no restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans (advances) are reported as "Interfund Receivables/Payables." Interfund balances are eliminated on the statement of net assets.

J. Accumulated Leave

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

**LAKEWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

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

In 2005 the government-wide statement of net assets reports \$14,500,041 of restricted net assets, of which \$13,988,760 is restricted for capital projects. Net assets restricted for other purposes include \$511,281 for permanent funds.

In 2004 the government-wide statement of net assets reports \$14,614,670 of restricted net assets, of which \$14,118,821 is restricted for capital projects. Net assets restricted for other purposes include \$495,849 for permanent funds.

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.

N. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. 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.

Note 3 – Change in Basis of Accounting and Accounting Principle

During fiscal year 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. During fiscal year 2004, the Library has implemented the cash basis of accounting described in note 2, which revised the Library's financial presentation to be comparable to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

For 2004, the Library implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures." This statement establishes new disclosure requirements for risks associated with deposits and investments.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) or as an interfund receivable or payable (cash basis). In 2005, the encumbrances outstanding at year end (budgetary basis) amounted to \$79,171 for the general fund. In 2004, the encumbrances outstanding at year end (budgetary basis) amounted to \$32,573 for the general fund.

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 Trustees have 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;

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 5 - Deposits and Investments (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Library or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, the carrying amount of the Library's deposits was \$54,039 and the bank balance was \$17,728. At fiscal year end 2004, the carrying amount of the Library's deposits was \$137,609 and the bank balance was \$26,419. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. 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, 2005 and December 31, 2004, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2005		
STAR Ohio	\$18,107,421	Less Than One Year
December 31, 2004		
STAR Ohio	\$16,898,733	Less Than One Year

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 5 - Deposits and Investments (Continued)

Investments (Continued)

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 does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library 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 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Library. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2003 taxes respectively. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 6 - Property Taxes (Continued)

Tangible personal property tax receipts received in 2005 and 2004 (other than public utility property) represent the collection of 2005 and 2004 taxes respectively. Tangible personal property taxes received in 2005 and 2004 were levied after October 1, 2004 and October 1, 2003 respectively, on the true value as of December 31, 2004 and December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the years ended December 31, 2005 and 2004 was \$3.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2005	2004
Real Property	\$861,610,090	\$859,868,950
Public Utility Property	16,823,630	16,001,560
Tangible Personal Property	23,673,865	28,345,579
Total	\$902,107,585	\$904,216,089

Note 7 - Risk Management

The Lakewood Public Library has obtained commercial insurance for the following risks:

- Commercial property;
- Vehicle;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability;
- Errors and Omissions; and
- Surety bonds.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 8 - Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005 and December 31, 2004, the members of all three plans participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$285,795, \$285,106, and \$272,008, respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans as of December 31, 2005 was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$119,691 and \$119,402, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Notes to the Basic Financial Statements
For the Year Ended December 31, 2005 and December 31, 2004
(Continued)

Note 9 – Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Construction and Improvement of Facilities

In 2003, the Board of Library Trustees of the Lakewood Public Library submitted to the City School District a bond issue to be used for improvements to the Library System. The School District serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the bond issue in 2003, the School District issued bonds in the amount of \$12,500,000. Because the bonds are general obligations of the City School District, the long-term obligation is excluded from the general long-term obligations of the Lakewood Public Library.

Note 11 – Transfers

During 2005, the Library transferred \$179,624 from the Land Acquisition Fund to the Building Fund. The primary purpose of the Land Acquisition Fund was to account for rental income which is no longer a function of the fund.

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Auditor of State Betty Montgomery

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

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board Trustees:

Compliance

We have audited the financial statements of the governmental activities and each major fund information of the Lakewood Public Library (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 8, 2006, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Government Accounting Standards Board No. 40. 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 audits, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated November 8, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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 audits and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 8, 2006



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

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LAKWOOD PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2007**