



**PORTER PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

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



Mary Taylor, CPA
Auditor of State

**PORTER PUBLIC LIBRARY
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Porter Public Library, Cuyahoga 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, each major fund, and the aggregate remaining fund information of the Porter Public Library, Cuyahoga 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, 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 August 15, 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.

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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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 15, 2008

Porter Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

This discussion and analysis of the Porter Public Library's ("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 of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$296,178 or 10.36 percent, a significant increase from the prior year. Three funds were significantly affected by the increase in cash and cash equivalents. They were the General Fund, the Permanent Improvement Fund and the Automation Fund.

The Library's general receipts were primarily property taxes and intergovernmental revenue. In 2007 these receipts represent, respectively, 56.68 and 35.81 percent of the total cash received for governmental activities during the year. The Library and Local Government Support Fund ("LLGSF") remained stable due to a freeze of the LLGSF by the Ohio Government. Other revenue growth came from interest. Although a somewhat unpredictable revenue source, it became a larger source during this period as the amount of invested dollars and the rate of interest rates increased during this period. Other growth in the Permanent Improvement Fund and Automation Fund came from transfers into the accounts from the General Fund for future improvements.

The Library's general expenses included a 6.84 percent increase in health insurance rates; library materials purchases returned to approximately 16 per cent of library expenses; and, major equipment purchases were made with the addition of two flash-scan self check out machines.

Key highlights for 2006 are as follows:

Since 2005 was reported only in a cash basis report 2006 net assets were not compared to the prior year.

The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent, respectively, 57.19 and 35.52 percent of the total cash received for governmental activities during the year. The Library and Local Government Support Fund ("LLGSF") remained stable due to a freeze of the LLGSF by the Ohio Government.

The Library's general expenses included payout of accrued benefits to the resigning Director as well as expenses included in hiring an Interim Director and a Director Search Coordinator. As a result of the change in leadership library material purchases were down and no major purchases or changes were made during the year.

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Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified 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 the use of which is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one

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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 taxes and the LLGSF.

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 LLFGS. 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. The funds of the Library are split into two categories: governmental and fiduciary.

Governmental Funds – Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's major governmental funds are the General Fund, Permanent Improvement Fund and Automation 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs. The Library reports one Agency Fund which holds funds for employees participating in a Flex One Plan through AFLAC.

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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
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 3,154,959	\$ 2,858,781
Total Assets	\$ 3,154,959	\$ 2,858,781
 Net Assets		
Restricted for:		
Capital Projects	\$ 1,027,153	\$ 839,388
Permanent Fund Purpose	\$ 204,770	\$ 203,541
Unrestricted	\$ 1,923,036	\$ 1,815,852
Total Net Assets	\$ 3,154,959	\$ 2,858,781

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Table 2 reflects the changes in net assets in 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 108,964	\$ 107,344
Operating Grants and Contributions	\$ 27,549	\$ 12,036
Capital Grants and Contributions	\$ 33,055	\$ 21,401
Total Program Receipts	<u>\$ 169,568</u>	<u>\$ 140,781</u>
General Receipts:		
Property and Other Local Taxes	\$ 2,774,674	\$ 2,757,696
Grants and Entitlements Not Restricted to Specific Programs	\$ 1,752,820	\$ 1,713,046
Unrestricted Gifts and Contributions	\$ 7,132	\$ 81,681
Interest	\$ 182,667	\$ 124,790
Sale of Capital Assets	\$ 890	\$ 575
Miscellaneous	\$ 7,627	\$ 3,616
	<u>\$ 4,725,810</u>	<u>\$ 4,681,404</u>
Total Receipts	<u>\$ 4,895,378</u>	<u>\$ 4,822,185</u>
Disbursements:		
Current:		
General Library Services	\$ 4,457,103	\$ 4,282,359
Capital Outlay	\$ 142,097	\$ 216,917
Total Disbursements	<u>\$ 4,599,200</u>	<u>\$ 4,499,276</u>
Excess (Deficiency) Before Transfers	\$ 296,178	\$ 322,909
Transfers	\$ -	\$ -
Increase (Decrease) in Net Assets	<u>\$ 296,178</u>	<u>\$ 322,909</u>
Net Assets, January 1	<u>\$ 2,858,781</u>	<u>\$ 2,535,872</u>
Net Assets, December 31	<u>\$ 3,154,959</u>	<u>\$ 2,858,781</u>

Program receipts in 2007 and 2006 represent only 3.46 percent and 2.92 percent, respectively, of total receipts. These receipts are primarily fines and fees from overdue and lost materials as well as charges for printing and making copies.

General receipts in 2007 and 2006 represent 96.54 and 97.08 percent, respectively, of the Library's total receipts, and of this amount 56.68 and 57.19 percent, respectively, are local taxes with 35.81 and 35.52, percent, respectively, coming from State grants and entitlements. Interest, although a somewhat unpredictable revenue source, became a larger source during this period as the rate on investments and the amount of invested dollars increased during 2007 and 2006.

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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.

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 three columns of the Statement entitled Program Cash Receipts identify amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Assets column compare 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Total Cost of Services 2006
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
General Library Services	\$ 4,457,103	\$ 4,320,590	\$ 4,282,359	\$ 4,162,979
Capital Outlay	\$ 142,097	\$ 109,042	\$ 216,917	\$ 195,516
 Total Governmental Activities	 <u>\$ 4,599,200</u>	 <u>\$ 4,429,632</u>	 <u>\$ 4,499,276</u>	 <u>\$ 4,358,495</u>

Porter Public Library
Cuyahoga County
Management's Discussion and Analysis
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The Library's Funds

Total governmental funds had receipts (not including transfers-in) in 2007 and 2006 of \$4,895,378 and \$4,822,185 respectively and disbursements (not including transfers-out) of \$4,599,200 and \$4,499,276. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$107,184 in 2007 and \$325,321 in 2006. This was due to prudent business practices being applied by management who realized the Library was in its last levy years and state support was questionable.

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 fiscal years 2007 and 2006, the Library's General Fund was stable. Final disbursements and transfers for 2007 and 2006 were budgeted at \$5,408,831 and 5,176,566 respectively while actual disbursements and transfers were \$5,163,016 and 4,492,979 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. The Library relies heavily on local taxes and LLGSF funding. The Library's operating levy will end in 2008. A five-year financial forecast indicated that the Library's finances will be in a deficit condition by the end of 2013. As a result, the Board approved placing on the ballot in March of 2008 a request to increase millage, raising the levy from 2.50 to 2.80 mills.

Contacting the Government'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 Judy Dobbs, Fiscal Officer, Porter Public Library, 27333 Center Ridge Road, Westlake, Ohio, 44145.

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Porter Public Library, Cuyahoga County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,154,959
<i>Total Assets</i>	<u>\$ 3,154,959</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 1,027,153
Permanent Fund Purpose	\$ 204,770
Unrestricted	<u>\$ 1,923,036</u>
<i>Total Net Assets</i>	<u>\$ 3,154,959</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Permanent Improvement Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,923,036	\$ 507,594	\$ 441,109	\$ 283,220	\$ 3,154,959
<i>Total Assets</i>	<u>\$ 1,923,036</u>	<u>\$ 507,594</u>	<u>\$ 441,109</u>	<u>\$ 283,220</u>	<u>\$ 3,154,959</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ 329,617			\$ 5,100	\$ 334,717
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,593,419				1,593,419
Capital Projects Funds		507,594	441,109	73,350	1,022,053
Permanent Funds				204,770	204,770
<i>Total Fund Balances</i>	<u>\$ 1,923,036</u>	<u>\$ 507,594</u>	<u>\$ 441,109</u>	<u>\$ 283,220</u>	<u>\$ 3,154,959</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007*

Total Governmental Fund Balances	<u>\$ 3,154,959</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 3,154,959</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Permanent Improvement Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 2,774,674				\$ 2,774,674
Intergovernmental	1,752,820				1,752,820
Patron Fines and Fees	91,436				91,436
Contributions, Gifts and Donations	335			67,400	67,735
Earnings on Investments	130,273	20,780	18,982	12,632	182,667
Miscellaneous	26,046				26,046
<i>Total Receipts</i>	<u>4,775,584</u>	<u>20,780</u>	<u>18,982</u>	<u>80,032</u>	<u>4,895,378</u>
Disbursements					
Current:					
General Library Services:	4,429,306			27,797	4,457,103
Capital Outlay	84,094	10,880	4,091	43,032	142,097
<i>Total Disbursements</i>	<u>4,513,400</u>	<u>10,880</u>	<u>4,091</u>	<u>70,829</u>	<u>4,599,200</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>262,184</u>	<u>9,900</u>	<u>14,891</u>	<u>9,203</u>	<u>296,178</u>
Other Financing Sources (Uses)					
Transfers In	5,000	80,000	80,000		165,000
Transfers Out	(160,000)			(5,000)	(165,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(155,000)</u>	<u>80,000</u>	<u>80,000</u>	<u>(5,000)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	107,184	89,900	94,891	4,203	296,178
<i>Fund Balances Beginning of Year</i>	<u>1,815,852</u>	<u>417,694</u>	<u>346,218</u>	<u>279,017</u>	<u>2,858,781</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,923,036</u>	<u>\$ 507,594</u>	<u>\$ 441,109</u>	<u>\$ 283,220</u>	<u>\$ 3,154,959</u>

See accompanying notes to the basic financial statements

Porter 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, 2007*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 296,178</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 296,178</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga 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 Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 2,744,514	\$ 2,771,181	\$ 2,774,674	\$ 3,493
Intergovernmental	1,713,237	1,752,820	1,752,820	-
Patron Fines and Fees	80,000	92,400	91,436	(964)
Contributions, Gifts and Donations	1,000	285	335	50
Earnings on Investments	75,000	130,057	130,273	216
Miscellaneous	26,000	26,214	26,046	(168)
<i>Total receipts</i>	<u>4,639,751</u>	<u>4,772,957</u>	<u>4,775,584</u>	<u>2,627</u>
Disbursements				
Current:				
General Library Services	5,091,581	5,026,581	4,757,068	269,513
Capital Outlay	157,250	222,250	85,949	136,301
<i>Total Disbursements</i>	<u>5,248,831</u>	<u>5,248,831</u>	<u>4,843,017</u>	<u>405,814</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(609,080)</u>	<u>(475,874)</u>	<u>(67,433)</u>	<u>408,441</u>
Other Financing Sources (Uses)				
Transfers In	-	-	5,000	5,000
Transfers Out	(80,000)	(160,000)	(160,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(80,000)</u>	<u>(160,000)</u>	<u>(155,000)</u>	<u>5,000</u>
<i>Net Change in Fund Balance</i>	(689,080)	(635,874)	(222,433)	413,441
<i>Fund Balance Beginning of Year</i>	1,667,966	1,667,966	1,667,966	-
Prior Year Encumbrances Appropriated	147,886	147,886	147,886	-
<i>Fund Balance End of Year</i>	<u>\$ 1,126,772</u>	<u>\$ 1,179,978</u>	<u>\$ 1,593,419</u>	<u>\$ 413,441</u>

See accompanying notes to the basic financial statements

Porter Library, Cuyahoga County
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
December 31, 2007

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,767
<i>Total Assets</i>	\$ 2,767
 Liabilities	
Deposits Held and Due to Others	\$ 2,767
<i>Total Liabilities</i>	\$ 2,767

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,858,781
<i>Total Assets</i>	<u>\$ 2,858,781</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 839,388
Permanent Fund Purpose	\$ 203,541
Unrestricted	<u>\$ 1,815,852</u>
<i>Total Net Assets</i>	<u>\$ 2,858,781</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Library Services	\$4,282,359	\$107,344	\$12,036		(\$4,162,979)
Capital Outlay	216,917			21,401	(195,516)
<i>Total Governmental Activities</i>	<u>4,499,276</u>	<u>107,344</u>	<u>12,036</u>	<u>21,401</u>	<u>(4,358,495)</u>
		General Receipts			
		Property Taxes Levied for General Purposes			2,757,696
		Unrestricted Gifts and Contributions			81,681
		Grants and Entitlements not Restricted to Specific Programs			1,713,046
		Sale of Capital Assets			575
		Interest			124,790
		Miscellaneous			3,616
		<i>Total General Receipts</i>			4,681,404
		Change in Net Assets			322,909
		<i>Net Assets Beginning of Year</i>			<u>2,535,872</u>
		<i>Net Assets End of Year</i>			<u>\$2,858,781</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Permanent Improvement Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,815,852	\$ 417,694	\$ 346,218	\$ 279,017	\$ 2,858,781
<i>Total Assets</i>	<u>\$ 1,815,852</u>	<u>\$ 417,694</u>	<u>\$ 346,218</u>	<u>\$ 279,017</u>	<u>\$ 2,858,781</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ 147,886	\$ 12,100	\$ 4,092	\$ 4,771	\$ 168,849
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,667,966				1,667,966
Capital Projects Funds		405,594	342,126	74,095	821,815
Permanent Funds				200,151	200,151
<i>Total Fund Balances</i>	<u>\$ 1,815,852</u>	<u>\$ 417,694</u>	<u>\$ 346,218</u>	<u>\$ 279,017</u>	<u>\$ 2,858,781</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahoga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006

Total Governmental Fund Balances	<u>\$ 2,858,781</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 2,858,781</u>

See accompanying notes to the basic financial statements

Porter Public Library, Cuyahga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Permanent Improvement Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 2,757,696				\$ 2,757,696
Intergovernmental	1,713,046				1,713,046
Patron Fines and Fees	84,781				84,781
Contributions, Gifts and Donations	3,445			110,672	114,117
Earnings on Investments	83,690	20,331	13,374	7,395	124,790
Miscellaneous	27,755				27,755
<i>Total Receipts</i>	<u>4,670,413</u>	<u>20,331</u>	<u>13,374</u>	<u>118,067</u>	<u>4,822,185</u>
Disbursements					
Current:					
General Library Services:	4,271,404			10,955	4,282,359
Capital Outlay	73,688	35,555	51,309	56,365	216,917
<i>Total Disbursements</i>	<u>4,345,092</u>	<u>35,555</u>	<u>51,309</u>	<u>67,320</u>	<u>4,499,276</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>325,321</u>	<u>(15,224)</u>	<u>(37,935)</u>	<u>50,747</u>	<u>322,909</u>
Other Financing Sources (Uses)					
Transfers In				12,572	12,572
Transfers Out				(12,572)	(12,572)
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	325,321	(15,224)	(37,935)	50,747	322,909
<i>Fund Balances Beginning of Year</i>	<u>1,490,531</u>	<u>432,918</u>	<u>384,153</u>	<u>228,270</u>	<u>2,535,872</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,815,852</u>	<u>\$ 417,694</u>	<u>\$ 346,218</u>	<u>\$ 279,017</u>	<u>\$ 2,858,781</u>

See accompanying notes to the basic financial statements

Porter 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, 2006*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 322,909</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ 322,909</u>

See accompanying notes to the basic financial statements

Porter Library, Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 3,079,132	\$ 2,768,492	\$ 2,757,696	\$ (10,796)
Intergovernmental	1,403,733	1,714,618	1,713,046	(1,572)
Patron Fines and Fees	76,000	81,520	84,781	3,261
Contributions, Gifts and Donations	1,000	2,830	3,445	615
Earnings on Investments	42,000	83,666	83,690	24
Miscellaneous	20,780	32,402	27,755	(4,647)
<i>Total receipts</i>	<u>4,622,645</u>	<u>4,683,528</u>	<u>4,670,413</u>	<u>(13,115)</u>
Disbursements				
Current:				
General Library Services	4,975,141	4,993,566	4,399,212	594,354
Capital Outlay	83,000	103,000	93,766	9,234
<i>Total Disbursements</i>	<u>5,058,141</u>	<u>5,096,566</u>	<u>4,492,978</u>	<u>603,588</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(435,496)</u>	<u>(413,038)</u>	<u>177,435</u>	<u>590,473</u>
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(80,000)	(80,000)	-	80,000
<i>Total Other Financing Sources (Uses)</i>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
<i>Net Change in Fund Balance</i>	(515,496)	(493,038)	177,435	670,473
<i>Fund Balance Beginning of Year</i>	1,293,133	1,293,133	1,293,133	-
Prior Year Encumbrances Appropriated	197,398	197,398	197,398	-
<i>Fund Balance End of Year</i>	<u>\$ 975,035</u>	<u>\$ 997,493</u>	<u>\$ 1,667,966</u>	<u>\$ 670,473</u>

See accompanying notes to the basic financial statements

Porter Library, Cuyahoga County
Statement of Fiduciary Assets and Liabilities - Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,269</u>
<i>Total Assets</i>	<u><u>\$ 2,269</u></u>
Liabilities	
Deposits Held and Due to Others	<u>\$ 2,269</u>
<i>Total Liabilities</i>	<u><u>\$ 2,269</u></u>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 1 – Description of the Library and Reporting Entity

The Porter Public Library was organized as a school district public library in 1884 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Ohio 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 Fiscal Officer.

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 Westlake 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 Porter 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.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Porter 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

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

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, except for fiduciary funds.

The statements of net assets present the cash balance of the governmental activities of the Library at year end. The statements of activities compare 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 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts, 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.

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Permanent Improvement Fund – The permanent improvement fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

Automation Fund - The automation fund accounts for monies set aside by the Board of Library Trustees specifically for major technology improvements.

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

Fiduciary Funds

Fiduciary funds include pension trusts funds, investment trusts funds, private purpose trusts funds, and agency funds. The Library's Fiduciary fund includes an agency fund. Agency funds are purely custodial and are used to hold resources for individuals, organizations or other governments. The Library's Agency fund accounts for monies held for its employees' contributions to a medical flexible spending account.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds (except agency 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 Fiscal Officer. 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

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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

Library records identify the purchase of specific investments to specific funds.

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."

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, respectively.

During 2007 and 2006, investments were limited to, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by National City Bank on December 31, 2007 and December 31, 2006.

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.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds amounted to \$182,667 in 2007 and \$124,790 in 2006.

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.

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

The Library has no long term obligations.

M. Net Assets

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

The Library'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.

In 2007, the government-wide statement of net assets reports \$3,154,959 of total net assets, of which \$1,027,153 is restricted for capital projects. Net assets restricted for permanent fund purposes amounted to \$204,770 for permanent funds.

In 2006, the government-wide statement of net assets reports \$2,858,781 of total net assets, of which \$839,388 is restricted for capital projects. Net assets restricted for permanent fund purposes amounted to \$203,541 for permanent funds.

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

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

O. 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 – Change in Basis of Accounting

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.

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. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end December 31, 2007 and December 31, 2006 (budgetary basis) amounted to \$329,617 and \$147,886, respectively, 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 on 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.

Porter Public Library

Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007 and December 31, 2006

Note 5 - Deposits and Investments (Continued)

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 may 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 year end December 31, 2007 and December 31, 2006, the Library had \$1,099 and \$1,169 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.

**Porter Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006*

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 fiscal year end 2007 the carrying amount of the Library's deposits was (\$96,834) and the bank balance was \$58,503. At fiscal year end 2006 the carrying amount of the Library's deposits was (\$39,959) and the bank balance was \$25,089. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investments 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 contained in ORC Section 135. 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 times shall be at least one hundred five percent of the deposits secured.

Investments

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1 Year</u>	<u>1-2 Years</u>
Certificates of Deposit	\$ 1,240,000	\$ 1,240,000	\$ -
Fed. National Mortgage Assoc. DN	\$ 391,169	\$ 391,169	\$ -
Fed. Home Loan Bank	\$ 770,864	\$ 546,796	\$ 224,068
Fed. Home Loan Mort. Corp.	\$ 198,343	\$ 198,343	\$ -
Money Market	\$ 126,398	\$ 126,398	\$ -
STAR Ohio	\$ 526,687	\$ 526,687	\$ -
Total Investments	<u>\$ 3,253,461</u>	<u>\$ 3,029,393</u>	<u>\$ 224,068</u>

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1 Year</u>	<u>1-2 Years</u>
Fed. National Mortgage Assoc. DN	\$ 218,232	\$ 218,232	\$ -
Fed. National Mortgage Assoc.	\$ 969,074	\$ 969,074	\$ -
Fed. Home Loan Mort. Corp. DN	\$ 434,105	\$ 434,105	\$ -
Fed. Home Loan Mort. Corp.	\$ 348,488	\$ 348,488	\$ -
Fed. Home Loan Bank DN	\$ 199,818	\$ 199,818	\$ -
Fed. Home Loan Bank	\$ 442,682	\$ 442,682	\$ -
Money Market	\$ 129,345	\$ 129,345	\$ -
STAR Ohio	\$ 158,096	\$ 158,096	\$ -
Total Investments	<u>\$ 2,899,840</u>	<u>\$ 2,899,840</u>	<u>\$ -</u>

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 5 - Deposits and Investments (Continued)

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

The Federal Home Loan Bank Notes carry a rating of AAA by Standard and Poor's. The Federal National Mortgage Association Notes carry a rating of AAA by Fitch. The Federal Home Loan Mortgage Association Notes carry a rating of AAA by Standard and Poor's. 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 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.

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 Federal National Mortgage Association Notes, the Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. 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

A. The primary source of revenue for Ohio public libraries is the State Library and Local Government Support 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 based on the needs such as for the construction of new Library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Porter Public Library

Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007 and December 31, 2006

Note 6 – Grants-in-Aid and Property Taxes (Continued)

B. Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Westlake City School District. Real Property tax revenue received during 2007 and 2006 represents the collection of the 2006 and 2005 taxes, respectively. Real property taxes received in 2007 and 2005 were levied after October 1, 2006 and October 1, 2005, respectively, on the assessed values as of January 1, 2006 and January 1, 2005, the lien dates. 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 alternative payment dates to be established. 2007 and 2006 real property taxes are collected in and intended to finance 2008 and 2007, respectively.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes, respectively. Public utility real and tangible property taxes received in 2007 and 2006 became a lien on December 31, 2006 and December 31, 2005, respectively, and were levied after October 1, 2006 and October 1, 2005, and are collected 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.

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005, respectively, on the true value as of December 31, 2006 and December 31, 2005, respectively. 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 year ended December 31, 2007 and December 31, 2006 was 2.50 (2.5 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based were as follows:

<u>Assessed Values</u>	<u>2007</u>	<u>2006</u>
Real Property		
Residential/Agricultural	\$ 991,271,440	\$ 903,203,510
Other Real Estate	\$ 375,405,920	\$ 333,597,800
Public Utility Property		
Personal	\$ 20,385,360	\$ 22,225,550
Tangible Personal Property	\$ 57,142,606	\$ 48,696,125
	<u>\$1,444,205,326</u>	<u>\$1,307,722,985</u>

Porter Public Library

Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007 and December 31, 2006

Note 7 - 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, the Library contracted with Cincinnati Insurance Company for the following types of insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Company	Commercial	
	Building	\$9,100,000
	Personal Property	\$1,001,813
	Inland Marine	\$8,644,159
	General Liability	
	Per occurrence	\$1,000,000
	Aggregate	\$2,000,000
	Umbrella	\$2,000,000
	Automobile	\$ 500,000
	Commercial Crime	
	Employee Dishonesty	\$ 10,000
	Public Official Bond	\$ 50,000
	Library Officials	\$2,000,000

During 2006, the Library contracted with Cincinnati Insurance Company for the following types of insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Company	Commercial	
	Building	\$9,100,000
	Personal Property	\$1,001,813
	Inland Marine	\$8,644,159
	General Liability	
	Per occurrence	\$1,000,000
	Aggregate	\$2,000,000
	Umbrella	\$2,000,000
	Automobile	\$ 500,000
	Commercial Crime	
	Employee Dishonesty	\$ 10,000
	Public Official Bond	\$ 50,000
	Library Officials	\$2,000,000

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.

**Porter Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006*

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.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007 and December 31, 2006, the members of all three plans were required to contribute 9.5 percent and 9.0 percent, respectively, of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 and 2006 was 13.85 percent and 13.70 percent, respectively.

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 \$319,546, \$303,441, and \$311,464 respectively; 88.31 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions made by the Library to the member-directed plan for 2007, 2006, and 2005 were \$20,025, 13,661, and 11,730, respectively, and \$13,735, 8,974, and 7,358 respectively, was made by the plan members.

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 2007 local government employer contribution rate was 13.85 percent with the portion of employer contributions allocated to health care being 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007. In 2006 the local government employer contribution rate was 13.70 percent of covered payroll with 4.5 percent allocated to health care.

Porter Public Library

Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007 and December 31, 2006

Note 9 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 to 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007 and 369,214 as of December 31, 2006. Actual employer contributions for 2007, 2006 and 2005, which were used to fund postemployment benefits, were \$134,869 and \$104,168, and \$95,407. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which allowed additional funds to be allocated to the health care plan.

Note 10 – Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$21,816.76 and \$23,145.29, respectively, to pay lease costs for the year ended December 31, 2007 and December 31, 2006. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$13,264
2009-12	\$28,087
2013-18	\$30,000

Note 11 – Interfund Transfers

In 2006, the Building Fund transferred \$12,572 of unused funding back to the Strothers' Trust fund after completion of the Reading Garden. In 2007, the General Fund transferred \$80,000 to the Permanent Improvement Fund for future capital improvements and \$80,000 to the Automation Fund for the purchase of future automation capital improvements. In 2007, the Capital Projects Friends Fund transferred \$5,000 to the General Fund (Art account) to purchase art work for display.

Porter Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007 and December 31, 2006

Note 12 – Subsequent Events

The Board of Trustees approved, by resolution, to place before the residents of Westlake the question of replacing the library's current 2.50 levy and adding an increase of .30 mills. By a majority vote the residents of Westlake approved the 2.80 mills on March 4, 2008.



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*

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Porter Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 15, 2008, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Government Accounting Standards Board Statement 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.

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

We noted a certain matter that we reported to the Library's management in a separate letter dated August 15, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

August 15, 2008



Mary Taylor, CPA
Auditor of State

PORTER 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
OCTOBER 2, 2008**