



Mary Taylor, CPA
Auditor of State

MENTOR PUBLIC LIBRARY
LAKE COUNTY

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Mary Taylor, CPA

Auditor of State

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Library Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

July 27, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Library Board of Trustees:

We have audited the accompanying financial statements of Mentor Public Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Mentor Public Library, Lake County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007, 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.

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

Mary Taylor, CPA
Auditor of State

July 27, 2007

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Debt Service	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$903,402	\$0	\$0	\$903,402
Other Government Grants-In-Aid	2,081,615	0	0	2,081,615
Patron Fines and Fees	83,886	0	0	83,886
Earnings on Investments	22,165	0	10,637	32,802
Contributions, Gifts and Donations	40,409	0	0	40,409
Miscellaneous Receipts	13,247	0	0	13,247
Total Cash Receipts	3,144,724	0	10,637	3,155,361
Cash Disbursements:				
Current:				
Salaries and Benefits	1,522,191	0	0	1,522,191
Purchased and Contracted Services	467,198	0	195,645	662,843
Library Materials and Information	563,126	0	0	563,126
Supplies	40,857	0	0	40,857
Other Objects	7,589	0	0	7,589
Debt Service:				
Redemption of Principal	0	92,627	0	92,627
Interest Payments and Other Financing Fees and Costs	0	21,704	0	21,704
Capital Outlay	93,214	0	9,150	102,364
Total Cash Disbursements	2,694,175	114,331	204,795	3,013,301
Total Cash Receipts Over/(Under) Cash Disbursements	450,549	(114,331)	(194,158)	142,060
Other Financing Receipts/(Disbursements):				
Transfers-In	0	114,331	0	114,331
Transfers-Out	(114,331)	0	0	(114,331)
Total Other Financing Receipts/(Disbursements)	(114,331)	114,331	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	336,218	0	(194,158)	142,060
Fund Cash Balances, January 1, 2006	668,235	0	327,128	995,363
Fund Cash Balances, December 31, 2006	\$1,004,453	\$0	\$132,970	\$1,137,423
Reserves for Encumbrances, December 31, 2006	\$156,148	\$0	\$0	156,148

The notes to the financial statements are an integral part of this statement.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$866,756	\$0	\$0	\$866,756
Other Government Grants-In-Aid	2,078,133	0	0	2,078,133
Patron Fines and Fees	89,244	0	0	89,244
Earnings on Investments	11,386	0	11,051	22,437
Contributions, Gifts and Donations	25,875	0	0	25,875
Miscellaneous Receipts	41,670	0	0	41,670
	<u>3,113,064</u>	<u>0</u>	<u>11,051</u>	<u>3,124,115</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	1,857,307	0	0	1,857,307
Purchased and Contracted Services	469,613	0	30,563	500,176
Library Materials and Information	314,755	0	0	314,755
Supplies	44,877	0	0	44,877
Other Objects	7,391	0	0	7,391
Debt Service:				
Redemption of Principal	0	86,872	0	86,872
Interest Payments and Other Financing Fees and Costs	0	25,140	0	25,140
Capital Outlay	28,523	0	102,513	131,036
	<u>2,722,466</u>	<u>112,012</u>	<u>133,076</u>	<u>2,967,554</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>390,598</u>	<u>(112,012)</u>	<u>(122,025)</u>	<u>156,561</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	112,012	0	112,012
Transfers-Out	(112,012)	0	0	(112,012)
	<u>(112,012)</u>	<u>112,012</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	278,586	0	(122,025)	156,561
Fund Cash Balances, January 1, 2005	389,649	0	449,153	838,802
Fund Cash Balances, December 31, 2005	<u><u>\$668,235</u></u>	<u><u>\$0</u></u>	<u><u>\$327,128</u></u>	<u><u>\$995,363</u></u>
Reserves for Encumbrances, December 31, 2005	<u>\$120,521</u>	<u>\$0</u>	<u>\$9,625</u>	<u>\$130,146</u>

The notes to the financial statements are an integral part of this statement.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mentor Public Library, Lake County, (the Library) as a body corporate and politic. The Library is directed by seven-member Board of Trustees appointed by the Mentor Board of Education. The Library provides the community with various educational and literary resources.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio (State of Ohio Treasurer's investment Pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Debt Service Fund

This fund account for resources the Library accumulates to pay note debt. The Library had the following significant Debt Service Fund:

Note Fund – This fund repays notes that were issued in 2004 and 2003 for capital improvements to the Library's facilities and construction of a building.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project fund:

Building and Repair Fund – This fund is used to repair, improve, furnish and equip the Library.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements (capital outlay) for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash And Investments

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$455,055	\$245,797
Total deposits	455,055	245,797
STAR Ohio		
Total investments	682,368	749,566
Total deposits and investments	\$1,137,423	\$995,363

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 were as follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,916,800	\$3,144,724	\$227,924
Debt Service	114,331	114,331	0
Capital Projects	2,000	10,637	8,637
Total	\$3,033,131	\$3,269,692	\$236,561

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,274,772	\$2,964,654	\$310,118
Debt Service	114,333	114,331	2
Capital Projects	309,625	204,795	104,830
Total	\$3,698,730	\$3,283,780	\$414,950

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,056,355	\$3,113,064	\$56,709
Debt Service	112,013	112,012	(1)
Capital Projects	3,000	11,051	8,051
Total	\$3,171,368	\$3,236,127	\$64,759

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,054,251	\$2,954,999	\$99,252
Debt Service	112,013	112,012	1
Capital Projects	163,340	142,701	20,639
Total	\$3,329,604	\$3,209,712	\$119,892

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS

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 its 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 of any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. Debt

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Loan Note	\$45,605	3%
Library Fund Facility Note	<u>338,000</u>	5.42%
Total	<u><u>\$383,605</u></u>	

In 2003, the library refinanced a \$500,000 note originally issued in 1997 to build the Mentor-On-The-Lake Branch Library. The original note was replaced with a note payable in the amount of \$246,731 at three percent annual interest rate through 2007.

The Library Fund Facilities Note is for various improvements at the Library. The note of \$400,000 was issued in 2004. The loan is being repaid semi-annually over ten years.

Amortization of the above debt, including interest, is scheduled as follows:

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Debt (Continued)

Year ending December 31:	Building Loan Note	Library Fund Facility Note
2007	\$46,972	\$52,371
2008		52,420
2009		52,360
2010		52,192
2011		51,916
2012-2014		154,897
Total	<u>\$46,972</u>	<u>\$416,156</u>

6. Retirement Systems

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

7. Risk Management

Commercial Insurance

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

- Comprehensive property and general liability;
- Errors and omissions.

The Library also provides health, vision, and dental insurance to full-time employees who work thirty or more hours per week through a private carrier. The Library's liability for health care is limited to the premiums paid.

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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*

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Library Board of Trustees:

We have audited the financial statements of the Mentor Public Library, Lake County, (the Library) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 27, 2007, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 opinion 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.

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

Mary Taylor, CPA
Auditor of State

July 27, 2007



Mary Taylor, CPA
Auditor of State

MENTOR PUBLIC LIBRARY

LAKE 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
SEPTEMBER 11, 2007**