



**Auditor of State
Betty Montgomery**

MADISON PUBLIC LIBRARY
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, Ohio 44057

To the 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 a February 2, 2005 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 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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Betty Montgomery
Auditor of State

August 18, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of Madison Public Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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, 2005 and December 31, 2004 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, 2005 and December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison Public Library, Lake County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. 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 August 18, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

August 18, 2006

**MADISON 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**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$269,220			\$269,220
Other Government Grants-In-Aid and Tax Receipts	786,272			786,272
Patron Fines and Fees	34,502			34,502
Interest	31,506	\$3,769		35,275
Contributions, Gifts and Donations	7,343			7,343
Miscellaneous	365			365
Total Cash Receipts	1,129,208	\$3,769	\$0	1,132,977
Cash Disbursements:				
Current:				
Salaries and Benefits	615,941			615,941
Purchased and Contracted Services	159,223			159,223
Library Materials and Information	242,813			242,813
Supplies	25,657			25,657
Other	8,745		46,297	55,042
Total Cash Disbursements	1,052,379	0	46,297	1,098,676
Total Cash Receipts Over/(Under) Cash Disbursements	76,829	3,769	(46,297)	34,301
Other Financing Receipts/(Disbursements):				
Transfers-In			34,252	34,252
Transfers-Out	(34,252)			(34,252)
Total Other Financing Receipts/(Disbursements)	(34,252)	0	34,252	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	42,577	3,769	(12,045)	34,301
Fund Cash Balances, January 1, 2005	161,670	1,010,643	266,303	1,438,616
Fund Cash Balances, December 31, 2005	\$204,247	\$1,014,412	\$254,258	\$1,472,917

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

**MADISON 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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$263,260			\$263,260
Other Government Grants-In-Aid and Tax Receipts	817,985			817,985
Patron Fines and Fees	29,785			29,785
Interest	5,722	\$4,052		9,774
Contributions, Gifts and Donations	7,416			7,416
Total Cash Receipts	<u>1,124,168</u>	<u>4,052</u>	<u>\$0</u>	<u>1,128,220</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	580,559			580,559
Purchased and Contracted Services	146,087			146,087
Library Materials and Information	260,520			260,520
Supplies	23,258			23,258
Other	15,127		45,609	60,736
Total Cash Disbursements	<u>1,025,551</u>	<u>0</u>	<u>45,609</u>	<u>1,071,160</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>98,617</u>	<u>4,052</u>	<u>(45,609)</u>	<u>57,060</u>
Other Financing Receipts/(Disbursements):				
Proceeds from foundation		1,006,591		1,006,591
Transfers-In			45,000	45,000
Transfers-Out	(45,000)			(45,000)
Total Other Financing Receipts/(Disbursements)	<u>(45,000)</u>	<u>1,006,591</u>	<u>45,000</u>	<u>1,006,591</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	53,617	1,010,643	(609)	1,063,651
Fund Cash Balances, January 1, 2004	<u>108,053</u>	<u>0</u>	<u>266,912</u>	<u>374,965</u>
Fund Cash Balances, December 31, 2004	<u><u>\$161,670</u></u>	<u><u>\$1,010,643</u></u>	<u><u>\$266,303</u></u>	<u><u>\$1,438,616</u></u>

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

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Madison Public Library, Lake County, (the Library) as a body corporate and politic. Madison Board of Education appoints a seven-member Board of Trustees to govern the Library. 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.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no material component units.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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.

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. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for all financial resources except those required to be accounted for in another fund.

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant special revenue fund:

Special Projects Fund – This fund is for bequests, gifts, memorial contributions and other non-tax sources to be used for library programs and projects as designated and approved by the Board of Trustees. This fund received cash and stock proceeds when the Library closed the foundation in 2004.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Equipment Fund – This fund is used to pay for computers and related equipment.

Building and Repair – This fund is used for the capital improvement and maintenance of the Library's buildings.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements 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 follows:

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2005	2004
Demand deposits	\$250,120	\$496,362
Petty cash	200	200
Certificates of deposit	0	440,388
Total deposits	250,320	936,950
STAR Ohio	623,318	307,655
Money market funds	599,279	194,011
Total investments	1,222,597	501,666
Total deposits and investments	\$1,472,917	\$1,438,616

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 and money market funds are not evidenced by securities existing in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2005 and 2004 follows:

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,130,581	\$1,086,631	\$43,950
Special Revenue	200,000	0	200,000
Capital Projects	266,000	46,297	219,703
Total	\$1,596,581	\$1,132,928	\$463,653

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,116,427	\$1,070,551	\$45,876
Special Revenue	0	0	0
Capital Projects	266,913	45,609	221,304
Total	\$1,383,340	\$1,116,160	\$267,180

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.

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

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

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

The Library also provides health, vision and dental insurance to full-time employees who work 40 hours per week through a private carrier. The Library's liability for health care is limited to the premium paid.



**Auditor of State
Betty Montgomery**

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

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, Ohio 44057

To the Board of Trustees:

We have audited the financial statements of the Madison Public Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated August 18, 2006, wherein we noted the Library follows the 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated August 18, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

Madison Public Library
Lake County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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Betty Montgomery
Auditor of State

August 18, 2006

MADISON PUBLIC LIBRARY
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC Section 135.14 Investment in Common Stock	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MADISON 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 28, 2006**