



**WILLOUGHBY- EASTLAKE PUBLIC LIBRARY
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005



Mary Taylor, CPA
Auditor of State

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY
LAKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Willoughby-Eastlake Public Library
Lake County
263 East 305th Street
Willowick, Ohio 44095

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 Willoughby-Eastlake Public Library, Lake County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, 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 1, 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 Willoughby-Eastlake Public Library, Lake County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 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.

Management's discussion and analysis and 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 24, 2007

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited

This discussion and analysis of the Willoughby Eastlake Public Library, Lake County, Ohio, (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006 and December 31, 2005, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 and 2006 are as follows:

The Library's general receipts are primarily LLGSF and property taxes. These receipts represent respectively 47 and 38 percent of the total cash received for governmental activities during 2006 and 49 and 37 percent in 2005. Property receipts for 2005 and 2006 increased over 2004 because of a levy renewal. LLGSF Funds remained frozen with very small changes based on our county formula.

On July 27, 2006 the Library's Willowick branch flooded due to extremely heavy rain and problems with the community's storm sewer system. The flood caused extensive damage to the building's lower level which housed the Library Administrative Offices and Technical Services Department. Computers, furniture, flooring and walls were damaged. Application to FEMA has been made to assist with the repairs. In the repair process asbestos was uncovered and special asbestos abatement procedures and tests were conducted. A new union contract was negotiated with the SEIU District 1199, which became effective September 1, 2006.

Using the Basic Financial Statements

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

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

Basis of Accounting

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

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)

Basis of Accounting (Continued)

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the equity in pooled cash and cash equivalent balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services 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 general receipts.

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

In the statement of net assets and the statement of activities, we describe the Library's activities in the following way:

Governmental activities - All of the Library's basic services are reported here with State grants, LLGSF and property taxes financing most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Governmental Funds - All 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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. 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.

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)

The Government as a Whole

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Asset
Governmental Activities

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,182,287</u>	<u>\$1,993,387</u>	<u>\$1,701,101</u>
Total Assets	<u>\$2,182,287</u>	<u>\$1,993,387</u>	<u>\$1,701,101</u>
Net Assets			
Restricted for:			
Capital Projects Funds	\$362,070	\$331,453	\$281,454
Special Revenue Fund	16,520	15,993	15,405
Unrestricted	<u>1,803,697</u>	<u>1,645,941</u>	<u>1,404,242</u>
<i>Total Net Assets</i>	<u>\$2,182,287</u>	<u>\$1,993,387</u>	<u>\$1,701,101</u>

The 2006 net assets of governmental activities increased \$188,900 or 9 percent. The 2005 net assets of governmental activities increased \$292,286 or 15 percent. The primary reason for the increase was the replacement levy proceeds. The reduction in net assets in 2006 from 2005 was due to the additional expenditures in 2006 to repair the flood damage to the Willowick branch.

Table 2 reflects the changes in net assets in 2006 and 2005. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of the 2005 government-wide data has not been presented.

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Receipts:		
Program Receipts:		
Public Service and Programs	\$121,335	\$120,577
Total Program Receipts	<u>121,335</u>	<u>120,577</u>
General Receipts:		
Property Taxes	1,953,880	1,877,721
LLGSF	2,234,844	2,257,618
Other intergovernmental	210,041	257,011
Unrestricted Gifts and Contributions	3,070	600
Interest	120,576	66,825
Miscellaneous	67,802	9,394
Total General Receipts	<u>4,590,213</u>	<u>4,469,169</u>
Total Receipts	<u><u>\$4,711,548</u></u>	<u><u>\$4,589,746</u></u>
Disbursements:		
Library Services:		
Public Service and Programs	\$3,026,142	\$4,297,462
Collection Development	239,938	
Support Services:		
Facilities Operation	480,709	
Information Services	134,776	
Business Administration	621,700	
Capital Outlay	19,383	
Total Disbursements	<u>4,522,648</u>	<u>4,297,462</u>
Change in Net Assets	188,900	292,284
Net Assets Beginning of Year	1,993,387	1,701,103
Net Assets End of Year	<u><u>\$2,182,287</u></u>	<u><u>\$1,993,387</u></u>

Program receipts represent only 2.6 percent of total receipts in 2006 and 2005. They are primarily composed of patron fines and fees. General receipts represent 97.4 percent of the Library's total receipts for 2006 and 2005. Other receipts are insignificant revenue sources.

Disbursements for Library represent the overhead costs of running the Library and the support services provided for other Library activities. The cost include maintaining the four buildings, purchasing and processing of books and other materials, presenting programs for all age groups, providing internet services and providing other information related services. The difference in presentation in presentation of disbursements from 2005 to 2006 was due to the change in reporting standards.

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public service and programs, collection development and processing, facilities operation and maintenance, information services and administration. The next column of the Statement entitled Charges for Services and Sales identifies amounts paid by people who are directly charged for the service by the Library. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3. Since the Library did not prepare financial statements in this format for 2004, a comparative analysis of the 2005 government-wide data has not been presented.

(Table 3)

Governmental Activities

	2006		2005	
	Cost of Services		Cost of Services	
	Total	Net	Total	Net
Library Services:				
Public Service and Programs	\$3,026,142	(\$2,904,807)	\$4,297,462	(\$4,176,885)
Collection Development/ Processing	239,938	(239,938)		
Support Services:				
Facilities Operation/ Maintenance	480,709	(480,709)		
Information Services	134,776	(134,776)		
Business Administration	621,700	(621,700)		
Capital Outlay	19,383	(19,383)		
Total Governmental Activities	\$4,522,648	(\$4,401,313)	\$4,297,462	(\$4,176,885)

The dependence upon property taxes and LLGSF is apparent as over 96 and 94 percent of 2006 and 2005, respectively of governmental activities which are supported through these general receipts.

The Library's Funds

In 2006, total Library governmental funds had receipts of \$4,761,548 and disbursements of \$4,572,648. The greatest change within the governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$157,775 as the result of the replacement levy.

In 2005, total Library governmental funds had receipts \$4,639,746 and disbursement of \$4,347,462. The greatest change within the governmental funds occurred in the General Fund. The fund balance of the General Fund increased of \$241,696.

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 2006 and 2005 amendments to the Library's General fund budget were insignificant. Actual receipts were above the budget amount by 5.3 and .4 percent in 2006 and 2005, respectively. In 2006, final disbursements were budgeted at \$5,906,431 while actual disbursements were \$4,751,108. In 2005, final disbursements were budgeted at \$5,908,118 while actual disbursements were \$4,561,738.

Willoughby-Eastlake Public Library
Management's Discussion and Analysis
December 31, 2006 and 2005
Unaudited
(Continued)

Capital Assets and Debt Administration

The Library does not currently keep track of its capital assets and infrastructure nor has any outstanding debt that is required to be included in the Library's annual financial report.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The new funding of the LLGSF will provide challenges in the coming years because of changes in the cash flow patterns and uncertainty with regard to growth.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Suzan Bocciarelli, Clerk-Treasurer, Willoughby Eastlake Public Library, 263 East 305 Street, Willowick, Ohio 44095.

Willoughby Eastlake Public Library
Lake County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,182,287
<i>Total Assets</i>	\$2,182,287
 Net Assets	
Restricted for:	
Capital Projects	\$362,070
Special Revenue Funds	16,520
Unrestricted	1,803,697
<i>Total Net Assets</i>	\$2,182,287

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Governmental Activities
Governmental Activities:			
Library Services:			
Public Service and Programs	\$3,026,142	\$121,335	(\$2,904,807)
Collection Development and Processing	239,938		(239,938)
Support Services:			
Facilities Operation and Maintenance	480,709		(480,709)
Information Services	134,776		(134,776)
Business Administration	621,700		(621,700)
Capital Outlay	19,383		(19,383)
<i>Total Governmental Activities</i>	<u>\$4,522,648</u>	<u>\$121,335</u>	<u>(4,401,313)</u>
General Receipts:			
Property Taxes Levied for General Purposes			1,953,880
LLGSF			2,234,844
Other Intergovernmental			210,041
Unrestricted Gifts and Contributions			3,070
Interest			120,576
Miscellaneous			67,802
<i>Total General Receipts</i>			4,590,213
Change in Net Assets			188,900
<i>Net Assets Beginning of Year</i>			<u>1,993,387</u>
<i>Net Assets End of Year</i>			<u>\$2,182,287</u>

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Capital Projects Fund	Computer Informaton Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,803,697	\$194,823	\$167,247	\$16,520	\$2,182,287
<i>Total Assets</i>	<u>\$1,803,697</u>	<u>\$194,823</u>	<u>\$167,247</u>	<u>\$16,520</u>	<u>\$2,182,287</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	197,843				197,843
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,605,854				1,605,854
Special Revenue Funds				16,520	16,520
Capital Projects Funds		194,823	167,247		362,070
<i>Total Fund Balances</i>	<u>\$1,803,697</u>	<u>\$194,823</u>	<u>\$167,247</u>	<u>\$16,520</u>	<u>\$2,182,287</u>

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2006

Total Governmental Fund Balances	<u>\$2,182,287</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$2,182,287</u></u>

See accompanying notes to the basic financial statements

WILLOUGHBY EASTLAKE PUBLIC LIBRARY

Lake County

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

Governmental Funds

For the Year Ended December 31, 2006

	General	Capital Projects Fund	Computer Information Fund	Other Governmental Fund	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$1,953,880				\$1,953,880
Intergovernmental	210,041				210,041
LLGSF	2,234,844				2,234,844
Patron Fines and Fees	121,335				121,335
Contributions, Gifts and Donations	3,070				3,070
Earnings on Investments	120,048			\$528	120,576
Miscellaneous	67,802				67,802
<i>Total Receipts</i>	<u>4,711,020</u>	<u>0</u>	<u>0</u>	<u>528</u>	<u>4,711,548</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	3,026,142				3,026,142
Collection Development and Processing	239,938				239,938
Support Services:					
Facilities Operation and Maintenance	480,709				480,709
Information Services	134,776				134,776
Business Administration	621,700				621,700
Capital Outlay			19,383		19,383
<i>Total Disbursements</i>	<u>4,503,265</u>	<u>0</u>	<u>19,383</u>	<u>0</u>	<u>4,522,648</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>207,755</u>	<u>0</u>	<u>(19,383)</u>	<u>528</u>	<u>188,900</u>
Other Financing Sources (Uses)					
Transfers In		30,000	20,000		50,000
Transfers Out	(50,000)				(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>30,000</u>	<u>20,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	157,755	30,000	617	528	188,900
<i>Fund Balances Beginning of Year</i>	<u>1,645,942</u>	<u>164,823</u>	<u>166,630</u>	<u>15,992</u>	<u>1,993,387</u>
<i>Fund Balances End of Year</i>	<u>\$1,803,697</u>	<u>\$194,823</u>	<u>\$167,247</u>	<u>\$16,520</u>	<u>\$2,182,287</u>

See accompanying notes to the basic financial statements

WILLOUGHBY EASTLAKE PUBLIC LIBRARY

Lake County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Modified Cash Basis 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>\$188,900</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$188,900</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,821,365	\$1,821,365	\$1,953,880	\$132,515
Intergovernmental	255,558	255,558	210,041	(45,517)
LLGSF	2,234,844	2,234,844	2,234,844	0
Patron Fines and Fees	101,800	101,800	121,335	19,535
Contributions, Gifts and Donations	0	0	3,070	3,070
Earnings on Investments	51,200	51,200	120,048	68,848
Miscellaneous	10,000	10,000	67,802	57,802
<i>Total receipts</i>	<u>4,474,767</u>	<u>4,474,767</u>	<u>4,711,020</u>	<u>236,253</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	3,786,827	3,786,827	3,184,792	602,035
Collection Development and Processing	292,135	292,135	239,938	52,197
Support Services:				
Facilities Operation and Maintenance	793,598	793,598	519,902	273,696
Information Services	227,808	227,808	134,776	93,032
Business Administration	756,063	756,063	621,700	134,363
<i>Total Disbursements</i>	<u>5,856,431</u>	<u>5,856,431</u>	<u>4,701,108</u>	<u>1,155,323</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,381,664)</u>	<u>(1,381,664)</u>	<u>9,912</u>	<u>1,391,576</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,431,664)	(1,431,664)	(40,088)	1,391,576
<i>Fund Balance Beginning of Year</i>	1,431,666	1,431,666	1,431,666	0
Prior Year Encumbrances Appropriated	214,276	214,276	214,276	0
<i>Fund Balance End of Year</i>	<u>\$214,278</u>	<u>\$214,278</u>	<u>\$1,605,854</u>	<u>\$1,391,576</u>

See accompanying notes to the basic financial statements

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Willoughby Eastlake Public Library
Lake County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,993,387
<i>Total Assets</i>	\$1,993,387
 Net Assets	
Restricted for:	
Capital Projects	\$331,453
Special Revenue Fund	15,992
Unrestricted	1,645,942
<i>Total Net Assets</i>	\$1,993,387

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts	Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements			Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$4,297,462	\$120,577	(\$4,176,885)
<i>Total Governmental Activities</i>	<u>\$4,297,462</u>	<u>\$120,577</u>	<u>(4,176,885)</u>
General Receipts			
Property Taxes Levied for General Purposes			1,877,721
LLGSF			2,257,618
Other Intergovernmental			257,011
Unrestricted Gifts and Contributions			600
Interest			66,825
Miscellaneous			<u>9,394</u>
<i>Total General Receipts</i>			4,469,169
Change in Net Assets			292,284
<i>Net Assets Beginning of Year</i>			<u>1,701,103</u>
<i>Net Assets End of Year</i>			<u><u>\$1,993,387</u></u>

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library

Lake County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Computer Informaton Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,645,942	\$164,823	\$166,630	\$15,992	\$1,993,387
<i>Total Assets</i>	<u>\$1,645,942</u>	<u>\$164,823</u>	<u>\$166,630</u>	<u>\$15,993</u>	<u>\$1,993,387</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$214,276		\$35,000		\$249,276
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,431,666				1,431,666
Special Revenue Funds				15,992	15,992
Capital Projects Funds		164,823	131,630		296,453
<i>Total Fund Balances</i>	<u>\$1,645,942</u>	<u>\$164,823</u>	<u>\$166,630</u>	<u>\$15,992</u>	<u>\$1,993,387</u>

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances	<u>\$1,993,387</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$1,993,387</u></u>

See accompanying notes to the basic financial statements

**WILLOUGHBY EASTLAKE PUBLIC LIBRARY
Lake County**

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

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Computer Information Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Receipts					
Property and Other Local Taxes	\$1,877,721				\$1,877,721
Intergovernmental	2,514,629				2,514,629
Patron Fines and Fees	120,577				120,577
Contributions, Gifts and Donations	600				600
Earnings on Investments	66,237			588	66,825
Miscellaneous	9,394				9,394
<i>Total Receipts</i>	<u>4,589,158</u>	<u>0</u>	<u>0</u>	<u>588</u>	<u>4,589,746</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	4,297,462				4,297,462
<i>Total Disbursements</i>	<u>4,297,462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,297,462</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	291,696	0	0	588	292,284
Other Financing Sources (Uses)					
Transfers In		30,000	20,000		50,000
Transfers Out	(50,000)				(50,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>30,000</u>	<u>20,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	241,696	30,000	20,000	588	292,284
<i>Fund Balances Beginning of Year</i>	1,404,246	134,823	146,630	15,404	1,701,103
<i>Fund Balances End of Year</i>	<u>\$1,645,942</u>	<u>\$164,823</u>	<u>\$166,630</u>	<u>\$15,992</u>	<u>\$1,993,387</u>

See accompanying notes to the basic financial statements

WILLOUGHBY EASTLAKE PUBLIC LIBRARY

Lake County

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$292,284</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$292,284</u></u>

See accompanying notes to the basic financial statements

Willoughby Eastlake Public Library
Lake County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,828,313	\$1,828,313	\$1,877,721	\$49,408
Intergovernmental	2,590,702	2,590,702	2,514,629	(76,073)
Patron Fines and Fees	98,000	98,000	120,577	22,577
Contributions, Gifts and Donations	2,000	2,000	600	(1,400)
Earnings on Investments	30,000	30,000	66,237	36,237
Miscellaneous	20,000	20,000	9,394	(10,606)
<i>Total receipts</i>	4,569,015	4,569,015	4,589,158	20,143
Disbursements				
Current:				
Library Services:				
Public Service and Programs	5,858,118	5,858,118	4,511,738	1,346,380
<i>Total Disbursements</i>	5,858,118	5,858,118	4,511,738	1,346,380
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,289,103)	(1,289,103)	77,420	1,366,523
Other Financing Sources (Uses)				
Transfers In	(50,000)	(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	(50,000)	(50,000)	(50,000)	0
<i>Net Change in Fund Balance</i>	(1,339,103)	(1,339,103)	27,420	1,366,523
<i>Fund Balance Beginning of Year</i>	1,238,103	1,238,103	1,238,103	0
Prior Year Encumbrances Appropriated	166,143	166,143	166,143	0
<i>Fund Balance End of Year</i>	\$65,143	\$65,143	\$1,431,666	\$1,366,523

See accompanying notes to the basic financial statements

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Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005

Note 1 – Description of the Library and Reporting Entity

The Willoughby-Eastlake Public Library, Lake County, Ohio (the “Library”) was organized as a school district public library in 1906 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Willoughby-Eastlake Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Willoughby-Eastlake 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 Willoughby Eastlake Public Library has no component units.

The Friends of the Willoughby-Eastlake 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, the financial statements of the Willoughby-Eastlake 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. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. The statement of net assets presents the financial condition of the governmental activities of the Library at year end. Governmental activities generally are financed through taxes, and intergovernmental receipts.

The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

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

Governmental Funds

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

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

Capital Projects Fund –The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

Computer Information Fund – The computer information fund accounts for monies set aside by the Board of Trustees specifically for computer technology system upgrades and enhancements.

The other governmental fund of the Library accounts for monies expended under the provision of a will.

C. Basis of Accounting

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

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

D. Budgetary Process

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

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. All interest is reported in the general fund except the Worrallo Trust Interest.

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

During 2006 and 2005, investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, interest bearing checking accounts with Charter One Bank and Fifth Third Bank, STAR Ohio and nonnegotiable certificates of deposit. Except for the checking accounts and STAR Ohio these investments are recorded at cost.

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, 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund amounted to \$120,048 and \$528 in the Worrallo Trust Fund for 2006 and \$66,237 to the General Fund and \$588 to the Worrallo Trust Fund in 2005.

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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent encumbrances and the portion of the Worrallo Fund which is nonexpendable.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

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.

I. 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.

J. 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. Fund Balance Reserves

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

Note 3 – Accountability and Compliance

Change in Basis of Accounting

In 2004, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For the fiscal years 2006 and 2005, the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$197,843 and \$214,276 for the years ended 2006 and 2005, respectively.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 5 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the Library by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 5 - Deposits and Investments (Continued)

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

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

At year end, the Library had \$700 in undeposited cash on hand which is included as part of "Cash" or "Equity in Pooled Cash and Cash Equivalents on the financial statements.

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 the years ended 2006 and 2005, the Library had book balances of \$2,182,287 and \$1,993,387 respectively. Of the Library's bank balances of \$1,074,177 and \$945,991 for 2006 and 2005 respectively, \$835,879 in 2006 and \$730,712 in 2005 were exposed to custodial credit risk because those deposits were uninsured and uncollateralized, except as described in the following paragraph. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$345,169	8 months
Federal Home Loan Mortgage Corporation Notes	302,425	5 months
STAR Ohio	459,844	35 days
Total Investments	<u>\$1,107,438</u>	

The weighted average maturity is 4.6 months

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
 December 31, 2006 and 2005
 (Continued)

Note 5 - Deposits and Investments (Continued)

As of December 31, 2005, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$308,495	5 months
Federal Home Loan Mortgage Corporation Notes	300,212	2 months
STAR Ohio	437,987	39 days
Total Investments	<u>\$1,046,694</u>	

The weighted average is 2.6 months

Interest Rate Risk: Interest rate risk arises because the fair value of the investment changes as interest rates change. The Library's investment policy addresses interest rate by requiring that the Library's investments be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term goals, thereby avoiding the need to sell securities prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk: The Library's investments were rated AAA by Moody's Investor Services.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Risk: The Library places no limit on the amount that may be invested in any one issuer. The Library investments in Star Ohio, FNMA, and FHLMC represent 41.5%, 31.2%, and 27.3% respectively in 2006. The Library investments in Star Ohio, FHLMC and FNMA represent 41.8%, 28.7% and 29.5% respectively in 2005.

Note 6 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Willoughby-Eastlake School District. Real property tax receipt received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. 2006 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. 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.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 6 - Property Taxes (Continued)

The full tax rate for all Library operations for the year ended December 31, 2006, was \$1.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$1,120,199,540
Agriculture	4,853,370
Commercial/Industrial/Mineral	402,540,990
Public Utility Property	
Personal	104,075,870
Tangible Personal Property	112,975,270
Total Assessed Value	\$1,744,645,040

The full tax rate for all Library operations for the year ended December 31, 2005, was \$1.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$1,107,577,490
Agriculture	3,780,780
Commercial/Industrial/Mineral	396,260,700
Public Utility Property	
Personal	99,635,310
Tangible Personal Property	150,185,970
Total Assessed Value	\$1,757,440,250

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 2006 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Indiana Insurance	Commercial	\$6,000,000
	Property	
	General Liability	2,000,000
	Umbrella	3,000,000
	Valuable Papers	4,700,000
	Inland Marine	
Utica National Insurance	Vehicle	1,000,000
	Errors and Omissions	1,000,000/3,000,000
Ohio Casualty Insurance	Library Officials	
Fidelity & Deposit Co. of Maryland	Fidelity and Deposit	100,000

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 7 - Risk Management (Continued)

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

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

Note 8 - Defined Benefit Pension Plan

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

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

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 and 2005 was 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library contributes 2% of the regular employee's member share.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$271,339, \$261,746, and \$251,382 respectively; the full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan were \$1,383, \$1,062, and \$2,128 for 2006, 2005 and 2004 respectively made by the Library and \$908, \$666, and \$1,335 made by the plan members.

Note 9 - Postemployment Benefits

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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 and 2005 local government employer contribution rates were 13.7 and 13.55 percent, respectively, of covered payroll and 4.50 and 4 percent of covered payroll was the portion that was used to fund health care.

Willoughby-Eastlake Public Library
Notes to the Basic Financial Statements
December 31, 2006 and 2005
(Continued)

Note 9 - Postemployment Benefits (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, 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 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine 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 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$89,125 and \$77,268, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 – Leases

The Library leases space in the Community Center from the City of Willoughby Hills. The Library disbursed \$31,200 to pay lease costs for the year ended December 31, 2006. Payments will continue at \$31,200 per year for the balance of the lease.

Note 11 – Interfund Transfers

The General Fund transferred \$30,000 to the Capital Projects Fund for purchase and maintenance of various items throughout the library and \$20,000 to the Computer Information Fund for purchase and maintenance of computer equipment, software and other computer technology in both 2006 and 2005.

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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*

Willoughby-Eastlake Public Library
Lake County
263 East 305th Street
Willowick, Ohio 44095

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 Willoughby-Eastlake Public Library, Lake County, (the Library) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 24, 2007, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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.

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 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 24, 2007



Mary Taylor, CPA
Auditor of State

WILLOUGHBY-EASTLAKE 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 27, 2007**