



**MORLEY LIBRARY  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000 & 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MORLEY LIBRARY  
LAKE COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Nonexpendable Trust Fund – For the Year Ended December 31, 2000 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999 .....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Nonexpendable Trust Fund – For the Year Ended December 31, 1999 .....	6
Notes to the Financial Statements .....	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13

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STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Morley Library  
Lake County  
184 Phelps Street  
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the accompanying financial statements of Morley Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2000 and December 31, 1999. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Morley Library, Lake County, Ohio, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

May 29, 2001

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**MORLEY LIBRARY  
LAKE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$2,504,368	\$0	\$0	\$0	\$2,504,368
Other Government Grants-In-Aid	78,817	28,656	0	0	107,473
Patron Fines and Fees	66,974	0	0	0	66,974
Earnings on Investments	35,470	0	71,785	177,099	284,354
Contributions, Gifts and Donations	1,462	0	18,200	0	19,662
Miscellaneous Receipts	5,034	0	0	0	5,034
<b>Total Cash Receipts</b>	<b>2,692,125</b>	<b>28,656</b>	<b>89,985</b>	<b>177,099</b>	<b>2,987,865</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,166,157	9,047	610	1,157	1,176,971
Supplies	45,169	1,172	0	810	47,151
Purchased and Contracted Services	304,549	843	9,875	5,191	320,458
Library Materials & Information	541,819	2,647	0	8,664	553,130
Other Objects	13,031	0	0	0	13,031
Capital Outlay	102,016	661	0	0	102,677
<b>Total Cash Disbursements</b>	<b>2,172,741</b>	<b>14,370</b>	<b>10,485</b>	<b>15,822</b>	<b>2,213,418</b>
Total Cash Receipts Over/(Under) Cash Disbursements	519,384	14,286	79,500	161,277	774,447
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	450,000	0	450,000
Advances-In	5,000	0	0	0	5,000
Transfers-Out	(450,000)	0	0	0	(450,000)
Advances-Out	0	(5,000)	0	0	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(445,000)</b>	<b>(5,000)</b>	<b>450,000</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	74,384	9,286	529,500	161,277	774,447
Fund Cash Balances, January 1	194,397	5,000	1,116,068	1,780,205	3,095,670
<b>Fund Cash Balances, December 31</b>	<b>\$268,781</b>	<b>\$14,286</b>	<b>\$1,645,568</b>	<b>\$1,941,482</b>	<b>\$3,870,117</b>
Reserves for Encumbrances, December 31	\$109,226	\$2,016	\$6,820	\$194	\$118,256

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

**MORLEY LIBRARY**  
**LAKE COUNTY**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Contributions, Gifts and Donations	\$4,321
Total Operating Cash Receipts	4,321
Fund Cash Balances, January 1	233,850
<b>Fund Cash Balances, December 31</b>	<b>\$238,171</b>

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



**MORLEY LIBRARY  
LAKE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$2,382,382	\$0	\$0	\$0	\$2,382,382
Other Government Grants-In-Aid	76,815	0	0	0	76,815
Patron Fines and Fees	67,427	0	0	104	67,531
Earnings on Investments	51,357	0	29,817	120,358	201,532
Contributions, Gifts and Donations	4,625	0	565	0	5,190
Miscellaneous Receipts	14,028	0	0	0	14,028
Total Cash Receipts	<u>2,596,634</u>	<u>0</u>	<u>30,382</u>	<u>120,462</u>	<u>2,747,478</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,089,771	0	4,565	0	1,094,336
Supplies	47,371	0	0	489	47,860
Purchased and Contracted Services	279,315	0	0	7,975	287,290
Library Materials & Information	550,864	0	0	9,852	560,716
Other Objects	12,647	0	0	0	12,647
Capital Outlay	45,082	0	2,972	0	48,054
Total Cash Disbursements	<u>2,025,050</u>	<u>0</u>	<u>7,537</u>	<u>18,316</u>	<u>2,050,903</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>571,584</u>	<u>0</u>	<u>22,845</u>	<u>102,146</u>	<u>696,575</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	407,761	219,403	627,164
Advances-In	0	5,000	0	0	5,000
Transfers-Out	(627,164)	0	0	0	(627,164)
Advances-Out	(5,000)	0	0	0	(5,000)
Total Other Financing Receipts/(Disbursements)	<u>(632,164)</u>	<u>5,000</u>	<u>407,761</u>	<u>219,403</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(60,580)	5,000	430,606	321,549	696,575
Fund Cash Balances, January 1	<u>254,977</u>	<u>0</u>	<u>685,462</u>	<u>1,458,656</u>	<u>2,399,095</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$194,397</b></u>	<u><b>\$5,000</b></u>	<u><b>\$1,116,068</b></u>	<u><b>\$1,780,205</b></u>	<u><b>\$3,095,670</b></u>
Reserves for Encumbrances, December 31	<u>\$178,507</u>	<u>\$0</u>	<u>\$10,935</u>	<u>\$8,838</u>	<u>\$198,280</u>

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

**MORLEY LIBRARY**  
**LAKE COUNTY**  
**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND**  
**CHANGES IN FUND CASH BALANCES**  
**NONEXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Contributions, Gifts and Donations	\$8,563
Total Operating Cash Receipts	8,563
Fund Cash Balances, January 1	225,287
<b>Fund Cash Balances, December 31</b>	<b>\$233,850</b>

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

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Morley Library, Lake County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lake County Commissioners and the Probate Court. 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. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains at the time of sale are recorded as receipts.

Certificates of deposit, repurchase agreements, and U.S. Treasury Bonds are valued at cost. The investment in STAR Ohio (the State 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:

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

These funds are used to 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:

Ohio Reads Grant Fund: This fund accounts for a state grant which is used to improve literacy in Ohio.

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

Building Fund: This fund accounts for activity relating to the procurement of a new Library building and remodeling.

**Fiduciary Funds (Trust Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant Fiduciary Funds:

Morley Memorial Expendable Trust Fund: This fund receives donations to be used at the Library's discretion.

Nonexpendable Endowment Fund: This fund receives donations in which the principal may not be used, but the interest may be used at the Library's discretion.

**E. Budgetary Process**

The Ohio Administrative Code requires that each fund be budgeted annually.

**Appropriations**

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

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances**

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	(\$52,038)	(\$88,967)
Certificates of deposit	500,000	0
Total deposits	447,962	(88,967)
Repurchase Agreement	147,476	60,745
STAR Ohio	3,504,387	3,348,279
U.S. Treasury Bonds	1,000	2,000
Stock	7,463	7,463
Total investments	3,660,326	3,418,487
Total deposits and investments	\$4,108,288	\$3,329,520

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Library.

**Investments:** U.S. Treasury Bonds are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Repurchase agreements include uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent in the Library's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The stock was donated to the Library to be used at their discretion.

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and December 31, 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,630,026	\$2,697,125	\$67,099
Special Revenue	28,655	28,656	1
Capital Projects	660,200	539,985	(120,215)
Expendable Trust	172,000	177,099	5,099
Nonexpendable Trust	0	4,321	4,321
Total	<u>\$3,490,881</u>	<u>\$3,447,186</u>	<u>(\$43,695)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,376,507	\$2,731,967	\$644,540
Special Revenue	33,655	21,386	12,269
Capital Projects	288,935	17,305	271,630
Expendable Trust	37,038	16,016	21,022
Nonexpendable Trust	0	0	0
Total	<u>\$3,736,135</u>	<u>\$2,786,674</u>	<u>\$949,461</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,532,800	\$2,596,634	\$63,834
Special Revenue	5,000	5,000	0
Capital Projects	430,000	438,143	8,143
Expendable Trust	331,200	339,865	8,665
Nonexpendable Trust	0	8,563	8,563
Total	<u>\$3,299,000</u>	<u>\$3,388,205</u>	<u>\$89,205</u>

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,240,909	\$2,835,721	\$405,188
Special Revenue	0	0	0
Capital Projects	144,500	18,472	126,028
Expendable Trust	50,648	27,154	23,494
Nonexpendable Trust	0	0	0
Total	\$3,436,057	\$2,881,347	\$554,710

**4. GRANTS-IN-AID AND TAX RECEIPTS**

One source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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 on account of any additional revenues realized by the Library.

Another source of revenue is property taxes. Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property with 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.

**MORLEY LIBRARY  
LAKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**5. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% for 2000. The Library has paid all contributions required through December 31, 2000.

**6. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Morley Library  
Lake County  
184 Phelps Street  
Painesville, Ohio 44077

To the Board of Trustees:

We have audited the financial statements of Morley Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated May 29, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated May 29, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Morley Library  
Lake County  
Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

May 29, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MORLEY 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  
JUNE 19, 2001**