



**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LORAIN PUBLIC LIBRARY
LORAIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Lorain Public Library
Lorain County
351 Sixth Street
Lorain, Ohio 44052

We have audited the accompanying financial statements of the Lorain Public Library, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed 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 the Lorain Public Library, Lorain County, Ohio, as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2002 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 management, the 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

February 25, 2002

**LORAIN PUBLIC LIBRARY
LORAIN 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, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$2,186,545	\$0	\$0	\$0	\$2,186,545
Other Government Grants-In-Aid	5,259,782				5,259,782
Patron Fines and Fees	110,598				110,598
Earnings on Investments	133,175	718	113,702	23,463	271,058
Services Provided to Other Entities	14,000				14,000
Contributions, Gifts and Donations	26	50,124		62,619	112,769
Miscellaneous Receipts	30,817				30,817
Total Cash Receipts	<u>7,734,943</u>	<u>50,842</u>	<u>113,702</u>	<u>86,082</u>	<u>7,985,569</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	4,060,832				4,060,832
Supplies	146,802			4,774	151,576
Purchased and Contracted Services	1,016,624		38,547	49,567	1,104,738
Library Materials and Information	1,019,050	63		21,911	1,041,024
Other Objects	22,575				22,575
Capital Outlay	358,057	50,842	352,444	1,605	762,948
Total Cash Disbursements	<u>6,623,940</u>	<u>50,905</u>	<u>390,991</u>	<u>77,857</u>	<u>7,143,693</u>
Total Cash Receipts Over/(Under) Cash Disbursement	<u>1,111,003</u>	<u>(63)</u>	<u>(277,289)</u>	<u>8,225</u>	<u>841,876</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Property	3,847				3,847
Transfers-In			2,189,749		2,189,749
Transfers-Out	(2,189,749)				(2,189,749)
Total Other Financing Receipts/(Disbursements)	<u>(2,185,902)</u>	<u>0</u>	<u>2,189,749</u>	<u>0</u>	<u>3,847</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,074,899)	(63)	1,912,460	8,225	845,723
Fund Cash Balances, January 1	<u>2,818,146</u>	<u>157</u>	<u>1,724,725</u>	<u>673,808</u>	<u>5,216,836</u>
Fund Cash Balances, December 31	<u>\$1,743,247</u>	<u>\$94</u>	<u>\$3,637,185</u>	<u>\$682,033</u>	<u>\$6,062,559</u>
Reserves for Encumbrances, December 31	<u>\$500,258</u>	<u>\$0</u>	<u>\$453,646</u>	<u>\$104,169</u>	<u>\$1,058,073</u>

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

LORAIN PUBLIC LIBRARY
LORAIN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$670	\$0	\$670
Earnings on Investments		32	32
Total Operating Cash Receipts	670	32	702
Operating Cash Disbursements:			
Current:			
Salaries and Benefits			0
Purchased and Contracted Services	364		364
Other Objects	3,235		3,235
Capital Outlay			0
Total Operating Cash Disbursements	3,599	0	3,599
Operating Income/(Loss)	(2,929)	32	(2,897)
Non-Operating Cash Receipts:			
Government Grants In Aid			0
Earnings on Investments	3,596		3,596
Proceeds of Bonds			0
Proceeds of Notes			0
Proceeds from Sales of Property			0
Other Non-Operating Receipts			0
Total Non-Operating Cash Receipts	3,596	0	3,596
Non-Operating Cash Disbursements:			
Debt Service:			
Redemption of Principal			0
Interest Payments and Financing Fees/Costs			0
Other Non-Operating Disbursements			0
Total Non-Operating Cash Disbursements			0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	667	32	699
Transfers-In			0
Advances-In			0
Transfers-Out			0
Advances-Out			0
Net Receipts Over/(Under) Disbursements	667	32	699
Fund Cash Balances, January 1	82,515	1,843	84,358
Fund Cash Balances, December 31	\$83,182	\$1,875	\$85,057
Reserves for Encumbrances, December 31	\$0	\$0	\$0

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

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lorain Public Library, Lorain 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 Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lorain Board of Education. The Library provides the community with various educational and literary resources.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of their debt or the levying of their taxes. The Library has no component units.

The following entities which perform activities within the Library's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the Library is not financially accountable for these entities nor are they fiscally dependent on the Library.

The Friends of the Lorain Public Library, Inc., is a federal tax-exempt, not for profit organization under Section 501 (a) of the Internal Revenue Code (the Code) and an organization described in Section 501 (c)(4) of the Code. This corporation was organized to assist with community relations; to promote an informal interest in library functions, resources and services; provide supplemental income to the library objectives; stimulate gifts, donations, and bequests; and to work toward assuring continued monetary support through tax dollars. The Library exercised no financial control over this not for profit corporation. The Library received no financial contributions during the fiscal period January 1, 2001 through December 31, 2001 from the Friends corporation. The total cash assets (unaudited) of the Friends of the Lorain Public Library, Inc., at December 31, 2001 was \$2,566. Financial Statements can be obtained from Anthony Campana.

The Friends of the Avon Branch Library was organized to promote knowledge of the functions, resources and needs of the Avon Branch and to assist with raising funds for needs beyond the Avon Branch Library budget. The Library exercised no financial control over this organization. The Avon Branch Library received no financial contributions during the fiscal period January 1, 2001 through December 31, 2001 from the Avon Friends. The total cash assets (unaudited) of the Friends of the Avon Branch at December 31, 2001 was \$3,893. Financial statements can be obtained from Karen Payne.

The Friends of the Columbia Branch Library was organized to support the mission and goals of the Lorain Public Library System and to raise funds and influence the gifts of books, magazines, desirable collections, endowments, scholarships and bequests to the Columbia Branch Library through ways approved by the Trustees of the Lorain Public Library System. The Junior Friends of the Columbia Branch Library is a group within this organization. The Library exercised no financial control over this organization. The Columbia Branch Library received \$700 during the fiscal period January 1, 2001 through December 31, 2001. The total cash assets (unaudited) of the Friends of the Columbia Branch Library, at December 31, 2001 was \$1,406. Financial statements can be obtained from Carolyn Yanke.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Entity (Continued)

The Friends of the Domonkas Branch Library was organized to support the mission and goals of the Lorain Public Library System as determined by the Board of Trustees, and to raise funds and influence the gifts of books, magazines, desirable collections, endowments, scholarships and bequests to the library through ways approved by the Trustees of the Lorain Public Library System. The Library exercised no financial control over this organization. The Domonkas Branch Library received no financial contributions during the fiscal period January 1, 2001 through December 31, 2001 from the Friends organization. The total cash assets (unaudited) of the Friends of the Domonkas Branch Library, at December 31, 2001 was \$3,211. Financial statements can be obtained from Sandra Jenson.

The Friends of the North Ridgeville Branch Library, Inc., was organized to support the mission and goals of the North Ridgeville Branch Library and of the Lorain Public Library System; to focus public attention on library services, facilities and needs; to raise funds and influence the gifts of books, magazines, desirable collections, endowments, scholarships and bequests to the Library, through ways approved by the Lorain Public Library System Board of Trustees. The Library exercised no financial control over this organization. The North Ridgeville Branch Library received \$400 in financial contributions during the fiscal period January 1, 2001 through December 31, 2001. The total cash assets (unaudited) of the Friends of the North Ridgeville Branch Library, at December 31, 2001 was \$5,863. Financial statements can be obtained from Deborah Dunham.

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 included in fund cash balances. 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 disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

This fund is 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:

Gates Foundation Grant Fund - This fund is used to account for grant revenues and expenditures for the purchase of computers.

3. Capital Projects 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 projects funds:

Building/Repair Fund - This fund is used for major repairs of library owned buildings, purchasing land or buildings for library use, or for the construction of new buildings or additions.

Capital Improvements Fund - This fund is used to for vehicle replacement, major equipment purchases or to furnish a new or expanded building.

4. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library had the following significant enterprise fund:

Rental Fund -This fund is used to account for transactions related to rental property.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. 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:

Expendable Trust Funds

Hageman Trust - This fund is used for the purpose of maintaining a research collection in the areas of religion, philosophy, art, and history.

Stocker Trust Fund - This fund is an unrestricted fund from the estate of Paul Stocker to provide for special services and projects.

Nonexpendable Trust Fund

Kurtz/Male Fund - This fund is used for the sole purpose of purchasing materials on the topics of oceans, seas, waterways and related topics.

E. Budgetary Process

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

A summary of 2001 budgetary activity appears in Note 3.

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. Accumulated Leave

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

H. Totals Columns

Totals columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented to facilitate financial analysis. Such data is not comparable to a consolidation.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investment 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>2001</u>
Demand deposits	\$14,938
Petty Cash and Change Cash and Escrow	850
Certificates of deposit	<u>900,000</u>
Total deposits	<u>915,788</u>
STAR Ohio	<u>5,231,828</u>
Total investments	<u>5,231,828</u>
Total deposits and investments	<u>\$6,147,616</u>

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,521,097	\$8,813,689	\$1,707,408
Special Revenue	50,988	50,905	83
Capital Projects	907,162	390,991	516,171
Enterprise	11,201	3,599	7,602
Expendable Trust	<u>213,746</u>	<u>77,857</u>	<u>135,889</u>
Total	<u>\$11,704,194</u>	<u>\$9,337,041</u>	<u>\$2,367,153</u>

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The 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 based on of any additional revenues the Library receives. These revenues are reflected in the accompanying financial statements as Other Government Grants-In-Aid.

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.

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 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 through December 31, 2001. The Library has paid all contributions required through December 31, 2001.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

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

- Commercial property
- Vehicles
- Inland Marine
- Commercial crime
- Comprehensive and General Liability
- Surety Bonds

7. SUBSEQUENT EVENTS

On January 17, 2002, the Board authorized the issuance of notes not to exceed \$4.4 million in anticipation of library fund receipts. The purpose is for various construction and improvement projects.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

Board of Trustees
Lorain Public Library
Lorain County
351 Sixth Street
Lorain, Ohio 44052

We have audited the accompanying financial statements of the Lorain Public Library, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2001, and have issued our report thereon dated February 25, 2002. 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 *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 audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated February 25, 2002.

This report is intended solely for the information and use of management and the 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

February 25, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LORAIN PUBLIC LIBRARY

LORAIN 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
MARCH 19, 2002**