



**MORLEY LIBRARY  
LAKE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001**



**Auditor of State  
Betty Montgomery**



MORLEY LIBRARY  
LAKE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2002 and 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 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 of Morley Library, Lake County, as of December 31, 2002 and December 31, 2001, 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 June 9, 2003 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 audits.

This report is intended solely for the information and use of the audit committee, 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

June 9, 2003

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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, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$744,256	\$0	\$822,151	\$0	\$0	\$1,566,407
Intergovernmental Receipts	1,781,979	0	93,174	0	0	1,875,153
Patron Fines and Fees	73,645	0	0	0	0	73,645
Earnings on Investments	8,618	0	7,983	193,372	101,893	311,866
Contributions, Gifts and Donations	824	0	0	23,080	0	23,904
Miscellaneous Receipts	5,858	0	0	0	135	5,993
<b>Total Cash Receipts</b>	<b>2,615,180</b>	<b>0</b>	<b>923,308</b>	<b>216,452</b>	<b>102,028</b>	<b>3,856,968</b>
<b>Cash Disbursements:</b>						
Current:						
Salaries and Benefits	1,375,453	0	0	0	126	1,375,579
Supplies	45,079	96	0	11	358	45,544
Purchased and Contracted Services	221,991	0	8,764	399,267	2,189	632,211
Library Materials and Information	524,041	0	0	0	0	524,041
Other Objects	11,808	0	0	0	0	11,808
Debt Service:						
Redemption of Principal	0	0	12,207,000	0	0	12,207,000
Interest Payments and Other Financing Fees and Costs	0	0	276,047	224,150	0	500,197
Capital Outlay	31,074	0	0	0	0	31,074
<b>Total Cash Disbursements</b>	<b>2,209,446</b>	<b>96</b>	<b>12,491,811</b>	<b>623,428</b>	<b>2,673</b>	<b>15,327,454</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>405,734</b>	<b>(96)</b>	<b>(11,568,503)</b>	<b>(406,976)</b>	<b>99,355</b>	<b>(11,470,486)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds of Bonds	0	0	156,931	11,778,465	0	11,935,396
Proceeds of Notes	0	0	6,318	11,627,685	0	11,634,003
Transfers-In	1,750	0	11,591,000	939,122	0	12,531,872
Transfers-Out	(400,000)	(1,750)	0	(12,130,122)	0	(12,531,872)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(398,250)</b>	<b>(1,750)</b>	<b>11,754,249</b>	<b>12,215,150</b>	<b>0</b>	<b>23,569,399</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>7,484</b>	<b>(1,846)</b>	<b>185,746</b>	<b>11,808,174</b>	<b>99,355</b>	<b>12,098,913</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>306,320</b>	<b>1,846</b>	<b>0</b>	<b>2,143,565</b>	<b>2,078,959</b>	<b>4,530,690</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$313,804</b>	<b>\$0</b>	<b>\$185,746</b>	<b>\$13,951,739</b>	<b>\$2,178,314</b>	<b>\$16,629,603</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  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Contributions, Gifts and Donations	<u>\$8,946</u>
Total Operating Cash Receipts	<u>8,946</u>
Net Receipts Over/(Under) Disbursements	8,946
Fund Cash Balances, January 1, 2002	<u>242,340</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u><u>\$251,286</u></u></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, 2001**

	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	\$730,905	\$0	\$0	\$0	\$730,905
Intergovernmental Receipts	1,904,086	37,708	0	0	1,941,794
Patron Fines and Fees	66,201	0	0	0	66,201
Earnings on Investments	23,809	0	68,233	148,770	240,812
Contributions, Gifts and Donations	500	0	15,624	0	16,124
Miscellaneous Receipts	3,681	75	0	0	3,756
<b>Total Cash Receipts</b>	<b>2,729,182</b>	<b>37,783</b>	<b>83,857</b>	<b>148,770</b>	<b>2,999,592</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,265,008	6,882	0	3,927	1,275,817
Supplies	47,638	2,279	80	654	50,651
Purchased and Contracted Services	218,295	21,263	135,780	6,712	382,050
Library Materials and Information	582,482	3,211	0	0	585,693
Other Objects	11,401	1,805	0	0	13,206
Capital Outlay	15,219	16,383	0	0	31,602
<b>Total Cash Disbursements</b>	<b>2,140,043</b>	<b>51,823</b>	<b>135,860</b>	<b>11,293</b>	<b>2,339,019</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>589,139</b>	<b>(14,040)</b>	<b>(52,003)</b>	<b>137,477</b>	<b>660,573</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	1,600	550,000	0	551,600
Transfers-Out	(551,600)	0	0	0	(551,600)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(551,600)</b>	<b>1,600</b>	<b>550,000</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>37,539</b>	<b>(12,440)</b>	<b>497,997</b>	<b>137,477</b>	<b>660,573</b>
<b>Fund Cash Balances, January 1, 2001</b>	<b>268,781</b>	<b>14,286</b>	<b>1,645,568</b>	<b>1,941,482</b>	<b>3,870,117</b>
<b>Fund Cash Balances, December 31, 2001</b>	<b>\$306,320</b>	<b>\$1,846</b>	<b>\$2,143,565</b>	<b>\$2,078,959</b>	<b>\$4,530,690</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  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Contributions, Gifts and Donations	<u>\$4,169</u>
Total Operating Cash Receipts	<u>4,169</u>
Net Receipts Over/(Under) Disbursements	4,169
Fund Cash Balances, January 1, 2001	<u>238,171</u>
<b>Fund Cash Balances, December 31, 2001</b>	<b><u><u>\$242,340</u></u></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, 2002 AND 2001**

**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 Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Lake County Commissioners. 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.

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 or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, repurchase agreements and U.S. Treasury Notes are valued at cost. STAR Ohio is recorded at share values reported by the mutual fund.

**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:

Grants Fund: This fund accounts for state and local grants.

**MORLEY LIBRARY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**D. Fund Accounting (continued)**

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

**4. Capital Project Fund**

This fund is 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 all activity related to the construction of the new library building.

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

A summary of 2002 and 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.

**MORLEY LIBRARY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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:

	2002	2001
Demand deposits	(\$63,289)	(\$44,302)
Certificates of deposit	101,319	500,000
Total deposits	38,030	455,698
U.S. Treasury Notes	6,528,894	1,000
STAR Ohio	10,156,449	4,236,567
Repurchase agreement	157,516	79,765
Total investments	16,842,859	4,317,332
Total deposits and investments	\$16,880,889	\$4,773,030

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

**Investments:** U.S. Treasury Notes 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. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,068,435	\$2,609,446	\$458,989
Special Revenue	1,846	1,846	0
Debt Service	12,501,051	12,491,811	9,240
Capital Projects	13,321,814	12,753,550	568,264
Expendable Trust	24,500	2,673	21,827
Total	\$28,917,646	\$27,859,326	\$1,058,320

**MORLEY LIBRARY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,082,726	\$2,691,643	\$391,083
Special Revenue	52,385	51,823	562
Capital Projects	552,383	135,860	416,523
Expendable Trust	31,794	11,293	20,501
Total	\$3,719,288	\$2,890,619	\$828,669

**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. LLGSF is shown as intergovernmental revenue on the financial statements.

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 Intergovernmental Receipts. 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 to the County by each May 17.

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

**5. DEBT**

Debt outstanding at December 31, 2002, was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$10,975,000	1.35% to 4.80%

In May 2002, the Library issued \$11,591,000 in bond anticipation notes. These notes were retired in September 2002 when the Library issued \$11,591,000 in general obligation bonds to finance the building of a new library. The bonds will be repaid in semi-annual varying principal and interest payments over 18 years. On November 6, 2001, the voters passed a tax levy ensuring the payment of the bonds.

**MORLEY LIBRARY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	<u>General Obligation Bonds</u>
2003	\$769,320
2004	770,000
2005	854,475
2006	865,553
2007	874,677
2008 - 2012	4,412,100
2013 - 2017	4,409,998
2018 - 2021	3,560,102
Total	<u><u>\$16,516,225</u></u>

**6. RETIREMENT SYSTEM**

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Library has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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, 2002 and December 31, 2001, and have issued our report thereon dated June 9, 2003. 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 Village in a separate letter dated June 9, 2003.

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

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

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

**Betty Montgomery**  
Auditor of State

June 9, 2003



**Auditor of State  
Betty Montgomery**

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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  
JULY 15, 2003**