



**Auditor of State
Betty Montgomery**

KIRTLAND PUBLIC LIBRARY
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Kirtland Public Library
Lake County
9267 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Trustees:

We have audited the accompanying financial statements of the Kirtland Public 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 the Kirtland Public Library, Lake County, Ohio, 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 April 18, 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 audit.

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

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

Betty Montgomery
Auditor of State

April 18, 2003

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|---------------------|-------------------------|--------------------------------|
| | General | Capital Projects | Non-Expendable Trust | |
| Cash Receipts: | | | | |
| Other Governments Grants-in-Aid | \$550,268 | \$0 | \$0 | \$550,268 |
| Patron Fines and Fees | 16,997 | 0 | 0 | 16,997 |
| Earnings on Investments | 4,001 | 947 | 401 | 5,349 |
| Contributions, Gifts and Donations | 29,958 | 0 | 250 | 30,208 |
| Miscellaneous Receipts | 995 | 0 | 0 | 995 |
| | | | | |
| Total Cash Receipts | 602,219 | 947 | 651 | 603,817 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 307,426 | 0 | 0 | 307,426 |
| Supplies | 13,477 | 0 | 0 | 13,477 |
| Purchased and Contracted Services | 86,597 | 0 | 0 | 86,597 |
| Library Materials and Information | 137,432 | 0 | 0 | 137,432 |
| Other Objects | 1,532 | 0 | 0 | 1,532 |
| Capital Outlay | 24,322 | 0 | 0 | 24,322 |
| | | | | |
| Total Cash Disbursements | 570,786 | 0 | 0 | 570,786 |
| Total Cash Receipts Over Cash Disbursements | 31,433 | 947 | 651 | 33,031 |
| Other Financing Receipts/(Disbursements): | | | | |
| Sale of Fixed Assets | 0 | 0 | 0 | 0 |
| Transfers-In | 0 | 15,000 | 0 | 15,000 |
| Transfers-Out | (15,000) | 0 | 0 | (15,000) |
| | | | | |
| Total Other Financing Receipts/(Disbursements) | (15,000) | 15,000 | 0 | 0 |
| Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements | 16,433 | 15,947 | 651 | 33,031 |
| Fund Cash Balances, January 1, 2002 | 220,501 | 43,086 | 23,854 | 287,441 |
| Fund Cash Balances, December 31, 2002 | \$236,934 | \$59,033 | \$24,505 | \$320,472 |

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

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

| | Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------------|---------------------|-------------------------|--------------------------------|
| | General | Capital Projects | Non-Expendable Trust | |
| Cash Receipts: | | | | |
| Other Governments Grants-in-Aid | \$583,428 | \$0 | \$0 | \$583,428 |
| Patron Fines and Fees | 16,274 | 0 | 0 | 16,274 |
| Earnings on Investments | 5,323 | 2,718 | 1,134 | 9,175 |
| Contributions, Gifts and Donations | 24,163 | 12,231 | 250 | 36,644 |
| Miscellaneous Receipts | 1,831 | 0 | 0 | 1,831 |
| | | | | |
| Total Cash Receipts | 631,019 | 14,949 | 1,384 | 647,352 |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 308,827 | 0 | 0 | 308,827 |
| Supplies | 8,975 | 0 | 0 | 8,975 |
| Purchased and Contracted Services | 90,965 | 0 | 0 | 90,965 |
| Library Materials and Information | 123,605 | 0 | 0 | 123,605 |
| Other Objects | 1,517 | 0 | 0 | 1,517 |
| Capital Outlay | 7,639 | 0 | 0 | 7,639 |
| | | | | |
| Total Cash Disbursements | 541,528 | 0 | 0 | 541,528 |
| Total Cash Receipts Over Cash Disbursements | 89,491 | 14,949 | 1,384 | 105,824 |
| Other Financing Receipts/(Disbursements): | | | | |
| Sale of Fixed Assets | 100 | 0 | 0 | 100 |
| Transfers-In | 24,121 | 0 | 0 | 24,121 |
| Transfers-Out | 0 | (20,561) | (3,560) | (24,121) |
| | | | | |
| Total Other Financing Receipts/(Disbursements) | 24,221 | (20,561) | (3,560) | 100 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 113,712 | (5,612) | (2,176) | 105,924 |
| Fund Cash Balances, January 1, 2001 | 106,789 | 48,698 | 26,030 | 181,517 |
| Fund Cash Balances, December 31, 2001 | \$220,501 | \$43,086 | \$23,854 | \$287,441 |

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

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Kirtland Public 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 Kirtland Board of Education. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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. Investments

The Library invested in STAR Ohio (the State Treasurer's investment pool) which 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:

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. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant Capital Project Fund:

Building Fund – This fund is used for the purpose of repairing, improving, furnishing and equipping the existing library facilities.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund (Trust Fund)

The Trust Fund is 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 nonexpendable trust fund:

Golden Egg Endowment Fund – This endowment fund receives interest income and donations and is used for Library projects which are approved by the Board of Trustees. The trust agreement stipulates that only interest earned may be used for purchases.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) 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.

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 | \$6,327 | \$68,940 |
| Total deposits | 6,327 | 68,940 |
| STAR Ohio | 314,145 | 218,501 |
| Total investments | 314,145 | 218,501 |
| Total deposits and investments | \$320,472 | \$287,441 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 ending December 31, 2002 and December 31, 2001 follows:

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$806,474 | \$585,786 | \$220,688 |
| Capital Projects | \$44,000 | \$0 | 44,000 |
| Fiduciary | 500 | 0 | 500 |
| Total | \$850,974 | \$585,786 | \$265,188 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$751,145 | \$541,528 | \$209,617 |
| Capital Projects | \$35,000 | \$20,561 | 14,439 |
| Fiduciary | 4,560 | 3,560 | 1,000 |
| Total | \$790,705 | \$565,649 | \$225,056 |

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Kirtland Public Library 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 the Library's population, circulation, and percentage of materials expense to operating expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. The revenue is reflected as Other Governments Grants-in-Aid in the accompanying financial statements.

The Lake County auditor is responsible for distributing all Local Government Support Fund revenue on behalf of the Library.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(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 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 2002 and 2001. The Library has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

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

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

The Library also provides health, vision and dental insurance to full-time employees who work 25 or more hours per week through a private carrier. The Library's liability for health care is limited to the premiums paid.



Auditor of State Betty Montgomery

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

Kirtland Public Library
Lake County
9267 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Trustees:

We have audited the financial statements of the Kirtland Public 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 April 18, 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 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.

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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-00843-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe the reportable condition described above is not a material weakness.

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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 April 18, 2003.

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

April 18, 2003

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

| | |
|-----------------------|-----------------------|
| Finding Number | 2002-00843-001 |
|-----------------------|-----------------------|

During our review of the internal control structure of the Library, we discovered that the Library's Board President signs seventy-five checks at the monthly Board meeting, prior to the checks being printed by the Clerk-Treasurer. The blank checks are signed approximately two weeks prior to printing and maintained in a locked cabinet until they are ready to be printed. This procedure can result in checks being written without proper prior authorization or for expenditures not allowable.

We recommend that the Library Board President only sign checks after they are printed and approved. Also, the Library should explore other internal control options such as the use of a signature plate to facilitate this function.



**Auditor of State
Betty Montgomery**

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KIRTLAND 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
MAY 27, 2003**