



**Auditor of State
Betty Montgomery**

LORAIN PUBLIC LIBRARY
LORAIN COUNTY

JANUARY 1, 2002 TO DECEMBER 31, 2002

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**Auditor of State
Betty Montgomery**

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002. 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 Lorain Public Library, Lorain County, Ohio, as of December 31, 2002, 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 4, 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 4, 2003

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**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property and Other Local Taxes	\$2,593,302	\$0	\$0	\$0	\$0	\$2,593,302
Other Government Grants-In-Aid	4,908,244					4,908,244
Patron Fines and Fees	117,993					117,993
Earnings on Investments	45,811		4,290	121,623	23,861	195,585
Services Provided to Other Entities	14,600					14,600
Contributions, Gifts and Donations	63	15,500			53,716	69,279
Miscellaneous Receipts	11,520					11,520
Total Cash Receipts	7,691,533	15,500	4,290	121,623	77,577	7,910,523
Cash Disbursements:						
Current:						
Salaries and Benefits	3,890,397					3,890,397
Purchased and Contracted Services	1,115,628			100,693	9,225	1,225,546
Supplies	127,547					127,547
Library Materials and Information	885,819	94		77,250	23,904	987,067
Other Objects	22,010				30	22,040
Capital Outlay	89,276			2,916,131	167,080	3,172,487
Debt Service			478,853	95,916		574,769
Total Cash Disbursements	6,130,677	94	478,853	3,189,990	200,239	9,999,853
Total Cash Receipts Over/(Under) Cash Disbursements	1,560,856	15,406	(474,563)	(3,068,367)	(122,662)	(2,089,330)
Other Financing Receipts/(Disbursements):						
Proceeds from Sales of Property	3,480					3,480
Premium and Accrued Interest			9,612			9,612
Sale of Bonds				3,994,907		3,994,907
Transfers-In			896,415	252,854		1,149,269
Advances-In						0
Transfers-Out	(1,149,269)					(1,149,269)
Advances-Out						0
Total Other Financing Receipts/(Disbursements)	(1,145,789)	0	906,027	4,247,761	0	4,007,999
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	415,067	15,406	431,464	1,179,394	(122,662)	1,918,669
Fund Cash Balances, January 1	1,743,246	94		3,637,186	682,032	6,062,558
Fund Cash Balances, December 31	\$2,158,313	\$15,500	\$431,464	\$4,816,580	\$559,370	\$7,981,227

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
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Patron Fees and Fines	\$0	\$0	\$0
Earnings on Investments			0
Total Operating Cash Receipts	0	0	0
Operating Cash Disbursements:			
Current:			
Salaries and Benefits			0
Purchased and Contracted Services			0
Capital Outlay			0
Total Operating Cash Disbursements	0	0	0
Operating Income/(Loss)	0	0	0
Non-Operating Cash Receipts:			
Property and Other Local Taxes	(1,027)		(1,027)
Earnings on Investments	1,487	110	1,597
Proceeds from Sales of Property			0
Other Non-Operating Receipts			0
Total Non-Operating Cash Receipts	460	110	570
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	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	460	110	570
Transfers-In			0
Advances-In			0
Transfers-Out			0
Advances-Out			0
Net Receipts Over/(Under) Disbursements	460	110	570
Fund Cash Balances, January 1	83,183	1,874	85,057
Fund Cash Balances, December 31	\$83,643	\$1,984	\$85,627

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, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lorain Public Library, Lorain County, (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.

The Library's management believes these financial statements present all significant 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. 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, and U.S. Treasury Notes 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:

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.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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:

Local Grant Fund – This fund is used to account for grant revenue used to provide programs which educate school children about library cards.

3. Debt Service Funds

This fund is used to accumulate resources for the payment of debt. The Library had the following significant Debt Service Fund:

Debt Service Fund – This fund is used to accumulate resources for the payment of note debt.

4. 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 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.

Construction Fund – This fund is used for new construction and improvement of existing buildings.

5. Enterprise Funds

These funds account 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.

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:

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust Funds) (Continued)

Expendable Trust Funds

Book Memorial Fund – This fund is used to account for donations for purchasing books or property improvement.

Domonkas Trust Fund – This fund is used to account for the maintenance of property and improvement.

Nonexpendable Trust Fund

Kurtz/Male Fund – This fund is used solely to purchase materials on 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 2002 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 Column

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

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:

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002
Demand deposits	\$227
Petty Cash and Change Cash and Escrow	850
Certificates of deposit	1,497,075
Total deposits	1,498,152
U.S. Treasury Notes	2,676,723
STAR Ohio	3,891,979
Total investments	6,568,702
Total deposits and investments	\$8,066,854

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2002 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,348,343	\$7,279,946	\$2,068,397
Special Revenue	15,094	94	15,000
Debt Service	478,853	478,853	0
Capital Projects	6,462,678	3,189,990	3,272,688
Enterprise	1,028	0	1,028
Fiduciary	338,639	200,239	138,400
Total	\$16,644,635	\$11,149,122	\$5,495,513

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.

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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 September 12. If the property owner elects to make semiannual payment, the first half is due February 12. The second half payment is due the following September 12.

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 April 30.

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:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$3,615,000</u>	3.07%
Total	<u><u>\$3,615,000</u></u>	

The library issued a General Obligation Note for new construction and improvement projects in 2002. The Library pledged their LLGSF receipts as collateral.

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

	<u>General Obligation Notes</u>
Year ending December 31:	
2003	\$478,785
2004	476,945
2005	478,550
2006	478,050
2007-2011	<u>2,865,796</u>
Total	<u><u>\$4,778,126</u></u>

**LORAIN PUBLIC LIBRARY
LORAIN COUNTY**

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

6. 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. The Library has paid all contributions required through December 31, 2002.

7. 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



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Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

Lorain Public Library
Lorain County
351 Sixth Street
Lorain, Ohio 44052

To the Board of Trustees:

We have audited the financial statements of the Lorain Public Library, Lorain County, Ohio, (the Library) as of and for the year ended December 31, 2002, and have issued our report thereon dated February 4, 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.

Lorain Public Library
Lorain 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 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

February 4, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 6, 2003**