



**Auditor of State
Betty Montgomery**

MENTOR PUBLIC LIBRARY
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Board of Trustees:

We have audited the accompanying financial statements of the Mentor 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 and reserves for encumbrances of the Mentor 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 May 16, 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 16, 2003

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**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$944,042	\$0	\$0	\$944,042
Other Government Grants-In-Aid	1,952,956	0	0	1,952,956
Patron Fines and Fees	69,530	0	0	69,530
Earnings on Investments	3,813	0	1,334	5,147
Contributions, Gifts and Donations	14,336	0	0	14,336
Miscellaneous Receipts	4,883	0	0	4,883
Total Cash Receipts	<u>2,989,560</u>	<u>0</u>	<u>1,334</u>	<u>2,990,894</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	2,129,992	0	0	2,129,992
Purchased and Contracted Services	368,642	0	19,025	387,667
Library Materials and Information	440,978	0	0	440,978
Supplies	51,255	0	0	51,255
Other Objects	6,908	0	0	6,908
Debt Service:				
Redemption of Principal	0	48,686	0	48,686
Interest Payments and Other Financing Fees and Costs	0	16,954	0	16,954
Capital Outlay	19,013	0	18,074	37,087
Total Cash Disbursements	<u>3,016,788</u>	<u>65,640</u>	<u>37,099</u>	<u>3,119,527</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(27,228)</u>	<u>(65,640)</u>	<u>(35,765)</u>	<u>(128,633)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	1,567	0	0	1,567
Transfers-In	0	65,640	0	65,640
Transfers-Out	(65,640)	0	0	(65,640)
Total Other Financing Receipts/(Disbursements)	<u>(64,073)</u>	<u>65,640</u>	<u>0</u>	<u>1,567</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(91,301)	0	(35,765)	(127,066)
Fund Cash Balances, January 1, 2002	223,354	0	100,452	323,806
Fund Cash Balances, December 31, 2002	<u><u>\$132,053</u></u>	<u><u>\$0</u></u>	<u><u>\$64,687</u></u>	<u><u>\$196,740</u></u>
Reserves for Encumbrances, December 31, 2002	<u><u>\$65,093</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>65,093</u></u>

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

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

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

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Contributions, Gifts and Donations	\$4,221
Earnings on Investments	37
	4,258
Total Operating Cash Receipts	4,258
Operating Cash Disbursements:	
Total Operating Cash Disbursements	0
Operating Income/(Loss)	4,258
Net Receipts Over/(Under) Disbursements	4,258
Fund Cash Balances, January 1, 2002	0
Fund Cash Balances, December 31, 2002	\$4,258
Reserves for Encumbrances, December 31, 2002	\$0

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

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$919,401	\$0	\$0	\$919,401
Other Government Grants-In-Aid	2,157,411	0	0	2,157,411
Patron Fines and Fees	55,752	0	0	55,752
Earnings on Investments	15,437	0	4,996	20,433
Contributions, Gifts and Donations	7,727	0	6,500	14,227
Miscellaneous Receipts	15,895	0	0	15,895
Total Cash Receipts	3,171,623	0	11,496	3,183,119
Cash Disbursements:				
Current:				
Salaries and Benefits	2,011,535	0	0	2,011,535
Purchased and Contracted Services	397,677	0	34,417	432,094
Library Materials and Information	627,219	0	0	627,219
Supplies	62,865	0	0	62,865
Other Objects	6,938	0	0	6,938
Debt Service:				
Redemption of Principal	0	46,053	0	46,053
Interest Payments and Other Financing Fees and Costs	0	19,587	0	19,587
Capital Outlay	112,137	0	43,873	156,010
Total Cash Disbursements	3,218,371	65,640	78,290	3,362,301
Total Cash Receipts Over/(Under) Cash Disbursements	(46,748)	(65,640)	(66,794)	(179,182)
Other Financing Receipts/(Disbursements):				
Transfers-In	0	65,640	5,000	70,640
Transfers-Out	(70,640)	0	0	(70,640)
Total Other Financing Receipts/(Disbursements)	(70,640)	65,640	5,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(117,388)	0	(61,794)	(179,182)
Fund Cash Balances, January 1, 2001	340,742	0	162,246	502,988
Fund Cash Balances, December 31, 2001	\$223,354	\$0	\$100,452	\$323,806
Reserves for Encumbrances, December 31, 2001	\$53,868	\$0	\$19,732	\$73,600

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

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**MENTOR 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

Mentor Public Library, Lake 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 Mentor 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.

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.

The investment in Star Ohio (State of Ohio 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.

2. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of note indebtedness:

In 1997 the Library issued a 10 year \$500,000 note to build a new branch facility.

**MENTOR PUBLIC 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. Capital Project Fund

These funds are 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 and Repair Fund – This fund is used to repair, improve, furnish and equip the Library.

4. Fiduciary Fund (Trust Fund)

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:

Endowment Fund - This is a nonexpendable trust fund that was set up by the Board of Trustees for library materials.

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.

**MENTOR PUBLIC 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	\$24,458	\$20,448
Total deposits	24,458	20,448
 STAR Ohio		
Total investments	176,540	303,358
Total deposits and investments	\$200,998	\$323,806

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

Investments: Investments in STAR Ohio and mutual funds 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 2001 were as follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,337,775	\$3,147,521	\$190,254
Debt Service	65,640	65,640	0
Capital Projects	37,099	37,099	0
Total	\$3,440,514	\$3,250,260	\$190,254

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,563,254	\$3,342,879	\$220,375
Debt Service	65,640	65,640	0
Capital Projects	146,646	98,022	48,624
Total	\$3,775,540	\$3,506,541	\$268,999

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.

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

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

	Principal	Interest Rate
Building Loan	272,108	5.60%
Total	\$272,108	

The Building Loan relates to the construction of a new branch library. The loan of \$500,000 for this project was issued in 1997. The loan is being repaid quarterly installments over ten years.

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

	Building Loan
Year ending December 31:	
2003	65,640
2004	65,640
2005	65,640
2006	65,640
2007	49,231
Total	\$311,791

**MENTOR PUBLIC LIBRARY
LAKE COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Mentor 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 30 or more hours per week through a private carrier. The Library's liability for health care is limited to the premiums paid.

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**Auditor of State
Betty Montgomery**

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

Mentor Public Library
Lake County
8215 Mentor Avenue
Mentor, Ohio 44060

To the Board of Trustees:

We have audited the financial statements of the Mentor 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 May 16, 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 16, 2003.

Mentor Public 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

May 16, 2003



**Auditor of State
Betty Montgomery**

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MENTOR 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
JUNE 24, 2003**