



**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Elyria Public Library  
Lorain County  
320 Washington Avenue  
Elyria, Ohio 44035

We have audited the accompanying financial statements of the Elyria Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2001 and December 31, 2000. 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Library as of December 31, 2001 and December 31, 2000, 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 October 4, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

October 4, 2002

**ELYRIA 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>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Other Government Grants-In-Aid	\$2,807,953	\$0	\$0	\$2,807,953
Patron Fines and Fees	139,034			139,034
Earnings on Investments	51,579	16,811		68,390
Contributions, Gifts and Donations	60,862		5,693	66,555
Miscellaneous Receipts	17,847			17,847
	<u>3,077,275</u>	<u>16,811</u>	<u>5,693</u>	<u>3,099,779</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	1,437,365			1,437,365
Purchased and Contracted Services	254,284		638	254,922
Supplies	78,725		652	79,377
Library Materials & Information	653,981		3,046	657,027
Other Objects	18,152		140	18,292
Capital Outlay	107,932			107,932
	<u>2,550,439</u>	<u>0</u>	<u>4,476</u>	<u>2,554,915</u>
Total Cash Disbursements				
	<u>2,550,439</u>	<u>0</u>	<u>4,476</u>	<u>2,554,915</u>
Total Cash Receipts Over Cash Disbursements	<u>526,836</u>	<u>16,811</u>	<u>1,217</u>	<u>544,864</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		150,000	22,000	172,000
Transfers-Out	(202,000)			(202,000)
	<u>(202,000)</u>	<u>150,000</u>	<u>22,000</u>	<u>(30,000)</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(202,000)</u>	<u>150,000</u>	<u>22,000</u>	<u>(30,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	324,836	166,811	23,217	514,864
Fund Cash Balances, January 1	1,229,275	412,486	2,258	1,644,019
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,554,111</b></u>	<u><b>\$579,297</b></u>	<u><b>\$25,475</b></u>	<u><b>\$2,158,883</b></u>
<b>Reserves for Encumbrances, December 31,</b>	<u><b>\$120,698</b></u>	<u><b>\$0</b></u>	<u><b>\$1</b></u>	<u><b>\$120,699</b></u>

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

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$0	\$3,662	\$3,662
Contributions, Gifts and Donations		11,451	11,451
Services Provided to Other Entities	95,150		95,150
<b>Total Operating Cash Receipts</b>	<b>95,150</b>	<b>15,113</b>	<b>110,263</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries and Benefits			0
Purchased and Contracted Services	50,044		50,044
Other Objects			0
Capital Outlay			0
<b>Total Operating Cash Disbursements</b>	<b>50,044</b>	<b>0</b>	<b>50,044</b>
Operating Income	45,106	15,113	60,219
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	45,106	15,113	60,219
Transfers-In	0	30,000	30,000
Transfers-Out			0
Net Receipts Over Disbursements	45,106	45,113	90,219
Fund Cash Balances, January 1	91,278	160,103	251,381
<b>Fund Cash Balances, December 31</b>	<b>\$136,384</b>	<b>\$205,216</b>	<b>\$341,600</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$388</b>	<b>\$0</b>	<b>\$388</b>

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



**ELYRIA 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, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Other Government Grants-In-Aid	\$2,750,245	\$0	\$0	\$2,750,245
Patron Fines and Fees	127,754			127,754
Earnings on Investments	39,117	10,768		49,885
Contributions, Gifts and Donations	17,586		10	17,596
Miscellaneous Receipts	28,569	191,027		219,596
	<u>2,963,271</u>	<u>201,795</u>	<u>10</u>	<u>3,165,076</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	1,408,167			1,408,167
Purchased and Contracted Services	233,807			233,807
Supplies	69,057		139	69,196
Library Materials & Information	684,250		1,901	686,151
Other Objects	15,154		290	15,444
Capital Outlay	23,639	816,141		839,780
	<u>2,434,074</u>	<u>816,141</u>	<u>2,330</u>	<u>3,252,545</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>529,197</u>	<u>(614,346)</u>	<u>(2,320)</u>	<u>(87,469)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		400,000		400,000
Transfers-Out	(400,000)			(400,000)
	<u>(400,000)</u>	<u>400,000</u>	<u>0</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	129,197	(214,346)	(2,320)	(87,469)
Fund Cash Balances, January 1	<u>1,100,078</u>	<u>626,832</u>	<u>4,578</u>	<u>1,731,488</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$1,229,275</u></u>	<u><u>\$412,486</u></u>	<u><u>\$2,258</u></u>	<u><u>\$1,644,019</u></u>
<b>Reserves for Encumbrances, December 31</b>	<u><u>\$256,818</u></u>	<u><u>\$0</u></u>	<u><u>\$137</u></u>	<u><u>\$256,955</u></u>

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

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$0	\$17,114	\$17,114
Contributions, Gifts and Donations		6,565	6,565
Services Provided to Other Entities	91,591		91,591
<b>Total Operating Cash Receipts</b>	<b>91,591</b>	<b>23,679</b>	<b>115,270</b>
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries and Benefits			0
Purchased and Contracted Services	33,719		33,719
Other Objects	1,787		1,787
Capital Outlay			0
<b>Total Operating Cash Disbursements</b>	<b>35,506</b>	<b>0</b>	<b>35,506</b>
Operating Income	56,085	23,679	79,764
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	56,085	23,679	79,764
Transfers-In			0
Transfers-Out			0
Net Receipts Over Disbursements	56,085	23,679	79,764
Fund Cash Balances, January 1	35,193	136,424	171,617
<b>Fund Cash Balances, December 31</b>	<b>\$91,278</b>	<b>\$160,103</b>	<b>\$251,381</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$6,052</b>	<b>\$0</b>	<b>\$6,052</b>

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

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Elyria 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 (Board or Entity). 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 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.

Friend's of Elyria Public Library

Friend's of Elyria Public Library is a federal tax-exempt, not for profit organization under section 501(c)(3) of the Internal Revenue Code. The Friend's organization was developed through community members who support the Library through fund-raising activities and the operation of a small retail shop located within the Library. The Library exercised no financial control over this not-for-profit organization. The Library received contributions of cash and equipment in 2001 of \$3,627 and in 2000 of \$4,461 from the Friend's organization. Total cash assets (unaudited) of the Friend's of Elyria Public Library at December 31, 2001 amounted to \$7,106. The Friend's Treasurer's Report (unaudited) can be obtained through Charlene Firestone, Treasurer.

**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 are valued at cost. STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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. Capital Projects 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 projects fund:

Building Repair and Branch Operations Fund – used for the purpose of expanding, renovating, improving, furnishing and equipping the existing Library and improving its site.

**3. 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:

Enterprise (Lease) Fund – used to account for the lease revenues and any expenses which relate to the upkeep and maintenance of the parking lots and buildings.

**4. 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 Fund**

Project Read Fund – an expendable trust fund used for the purchase of materials used in conjunction with the Library's adult tutoring program.

**Nonexpendable Trust Fund**

Smith Trust Fund – this nonexpendable trust fund is used to account for interest earnings on the corpus of the trust. Use of the earnings is at the discretion of the Board of Trustees.

**E. Budgetary Process**

The Ohio Administrative Code requires budgeting for each fund annually.

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**E. Budgetary Process (Continued)**

**1. Appropriations**

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances in 2000, and disbursements for 2001) may not exceed appropriations at the fund, function, and object level of control.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**3. Encumbrances**

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 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:

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2001	2000
Demand deposits	\$415,319	\$807,783
Certificates of deposit	1,779,176	793,805
Total deposits	2,194,495	1,601,588
STAR Ohio	305,988	293,812
Total investments	305,988	293,812
Total deposits and investments	\$2,500,483	\$1,895,400

**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 ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,042,167	\$3,077,275	\$35,108
Capital Projects	1,106,692	166,811	(939,881)
Enterprise	116,490	95,150	(21,340)
Fiduciary	123,911	72,806	(51,105)
Total	\$4,389,260	\$3,412,042	(\$977,218)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,922,813	\$2,752,439	\$170,374
Capital Projects	150,000	0	150,000
Enterprise	72,100	50,044	22,056
Fiduciary	72,650	4,476	68,174
Total	\$3,217,563	\$2,806,959	\$410,604

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,930,189	\$2,963,271	\$33,082
Capital Projects	831,906	601,795	(230,111)
Enterprise	68,740	91,591	22,851
Fiduciary	56,111	23,689	(32,422)
Total	\$3,886,946	\$3,680,346	(\$206,600)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,195,218	\$3,090,892	\$104,326
Capital Projects	1,050,659	816,141	234,518
Enterprise	57,161	41,558	15,603
Fiduciary	38,128	2,467	35,661
Total	\$4,341,166	\$3,951,058	\$390,108

**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 on the 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.

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(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 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Library has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

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

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





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

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

Elyria Public Library  
Lorain County  
320 Washington Avenue  
Elyria, Ohio 44035

We have audited the accompanying financial statements of the Elyria Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated October 4, 2002. We conducted our audits 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 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. However, we noted a certain 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 2001-00847-001.

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 weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also 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 October 4, 2002.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

October 4, 2002

**ELYRIA PUBLIC LIBRARY  
LORAIN COUNTY  
DECEMBER 31, 2000 and 2001**

**SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2001-00847-001</b>
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**Cash Reconciliations**

A necessary step in the internal accounting control over financial reporting is to prove both the balance of the bank and the balance of the cash in the accounting records. Bank reconciliation means accounting for the differences between the balance appearing on the bank statement(s) and the balance of cash according to the entity's records. This process involves adjusting both balances to the adjusted cash balance. During the audit period, the Library did not reconcile the bank statements to the accounting records.

Bank reconciliations were prepared by the Clerk-Treasurer or Deputy Clerk on a monthly basis. A copy of the cash reconciliation, along with monthly internal reports, was presented to the Board for their review. However, no one independent of the cash receipts and disbursements process verified the accuracy of the reconciliation. In addition, the reconciliations were not tied to the month-end fund balances. Failure to have an employee, independent of the daily accounting functions, verify the accuracy of the reconciliation could result in an erroneous reconciliation or irregularities going undetected.

Further, without an accurate bank reconciliation process, the Library's internal control structure is weakened, which could hinder the detection of errors or irregularities, by Library employees, in a timely manner. In addition, Library management is not provided with timely fiscal information that is vital to the continued operations of the Library, which could also have a negative material effect or impact on the Library's financial statements.

An employee independent of the accounting functions should review the reconciliations, in sufficient detail, to ensure that differences between bank and book balances are substantiated. This employee should indicate their review of the reconciliation. We further recommend that the Library perform accurate monthly bank to book reconciliations at months' end, as well as the close of the year. Also, the reconciliation and all supporting documentation should be filed in the bank activity folder for the applicable month.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**ELYRIA 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  
NOVEMBER 7, 2002**