



**Auditor of State
Betty Montgomery**

MADISON PUBLIC LIBRARY
LAKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
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.....	3
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.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Madison Public Library
Lake County
6111 Middle Ridge
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of the Madison 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 Madison 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 5, 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, 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 that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 5, 2003

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**MADISON 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**

	<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>	
Cash Receipts:				
Other Governments Grants-in-Aid	\$787,635			\$787,635
Patron Fines and Fees	32,013			32,013
Earnings on Investments	28,532	\$262	\$3,605	32,399
Contributions, Gifts and Donations	92,032			92,032
Miscellaneous Receipts	757			757
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	940,969	262	3,605	944,836
Cash Disbursements:				
Current:				
Salaries and Benefits	536,755			536,755
Purchased and Contracted Services	143,155			143,155
Library Materials and Information	244,616			244,616
Supplies	23,293			23,293
Other	7,688			7,688
Capital Outlay	6,277	52,707		58,984
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	961,784	52,707	0	1,014,491
Excess of Cash Receipts Over/(Under) Cash Disbursements	(20,815)	(52,445)	3,605	(69,655)
Fund Cash Balances, January 1, 2002	967,051	320,556	201,897	1,489,504
Fund Cash Balances, December 31, 2002	<u>\$946,236</u>	<u>\$268,111</u>	<u>\$205,502</u>	<u>\$1,419,849</u>
Reserves for Encumbrances, December 31, 2002	<u>\$16,079</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,079</u>

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

**MADISON 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**

	<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>	
Cash Receipts:				
Other Governments Grants-in-Aid	\$867,960			\$867,960
Patron Fines and Fees	31,298			31,298
Earnings on Investments	38,797	\$6,146	\$7,932	52,875
Contributions, Gifts and Donations	723,098			723,098
Miscellaneous Receipts	289			289
	<u>1,661,442</u>	<u>6,146</u>	<u>7,932</u>	<u>1,675,520</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	493,005			493,005
Purchased and Contracted Services	132,827			132,827
Library Materials and Information	249,236			249,236
Supplies	27,527			27,527
Other	7,932			7,932
Capital Outlay	8,662	474,315		482,977
	<u>919,189</u>	<u>474,315</u>	<u>0</u>	<u>1,393,504</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>742,253</u>	<u>(468,169)</u>	<u>7,932</u>	<u>282,016</u>
Fund Cash Balances, January 1, 2001	<u>224,798</u>	<u>788,725</u>	<u>193,965</u>	<u>1,207,488</u>
Fund Cash Balances, December 31, 2001	<u>\$967,051</u>	<u>\$320,556</u>	<u>\$201,897</u>	<u>\$1,489,504</u>
Reserves for Encumbrances, December 31, 2001	<u>\$12,643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,643</u>

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

**MADISON 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

Madison 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 Madison 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. 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.

The Library invested in Star Ohio (the State Treasurer=s Investment Pool), which are valued at amounts reported by the State Treasurer.

Common stock is valued at fair market value when donated. In 2001, 11,541 shares of Lubrizol Common Stock and 287.122 shares of Nuveen Tax Free Unit Trusts were donated. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**MADISON 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)

2. Capital Project Funds

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 funds:

Building Repair Fund - This fund is used to pay for repairs on the existing Library Building.

Escrow Fund – The Library deducted ten percent from invoices submitted by contractors who were constructing the new library. When the project was completed satisfactorily the ten percent was paid to the contractors.

Equipment Fund – This fund is used to pay for computers and related equipment.

3. 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 fund:

Memorial Trust Fund - This fund received money as a donation to the Library.

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 legal level of control. The legal level of control for 2002 was at the fund, function level and for 2001 the legal level of control was at the fund level.

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.

**MADISON 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	\$20,477	\$418
Petty Cash	200	200
Money Market	16,398	0
Total deposits	37,075	618
STAR Ohio	990,283	1,096,395
Common stock (at fair value at time of donation, fair value was \$375,016 and \$434,159 at December 31, 2002 and 2001, respectively.)	392,491	392,491
Total investments	1,382,774	1,488,886
Total deposits and investments	\$1,419,849	\$1,489,504

At December 31, 2002 and 2001 the Library held \$392,491 in equity securities. Such securities are not eligible investments for the Library under Ohio law.

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

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	\$1,026,993	\$977,863	\$49,130
Capital Projects	317,582	52,707	264,875
Fiduciary	208,355	0	208,355
Total	\$1,552,930	\$1,030,570	\$522,360

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$973,590	\$931,832	\$41,758
Capital Projects	788,653	474,315	314,338
Fiduciary	204,294	0	204,294
Total	\$1,966,537	\$1,406,147	\$560,390

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

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

4. GRANTS-IN-AID

The primary source of revenue for Madison 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 of 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 Governmental Support Fund revenue on behalf of the Library.

5. RETIREMENT SYSTEM

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

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

6. RISK MANAGEMENT

Commercial Insurance

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

- Comprehensive property and general liability;
- Vehicles; 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.

7. SUBSEQUENT EVENTS

On April 21, 2003, the Library Board requested the Board of Education of Madison Local School District to submit to the electors of the Madison Local School District, at the election to be held on November 4, 2003, the question of levying a tax at the rate of 1.0 mill to take effect in tax year 2003, first collectible in 2004 for a continuing period of time.



**Auditor of State
Betty Montgomery**

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

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, Ohio 44057

To the Board of Trustees:

We have audited the financial statements of Madison 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 5, 2003. We conducted our audit in accordance with auditing standards generally accepted by 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

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.

Madison 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 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 5, 2003

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2002-001
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Investment in Common Stock

Ohio Rev. Code Section 135.14 provides the classifications of obligations that are eligible for such investment or deposit. This revised code section does not permit a library to hold stock as an investment. The Library received a donation of common stock in 2001, which the library has held.

The Library should divest itself of the stock in a prudent manner.



**Auditor of State
Betty Montgomery**

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MADISON 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
JULY 3, 2003**