



**Auditor of State
Betty Montgomery**

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Library Association of Sandusky
Erie County
114 West Adams Street
Sandusky, Ohio 44870-2751

To the Board of Trustees:

We have audited the accompanying financial statements of the Library Association of Sandusky, Erie County, (the Library) as of and for the years ended December 31, 2003 and 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 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 discussed 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, 2003 and 2002, 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 10, 2004 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 audits.

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". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 10, 2004

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**LIBRARY ASSOCIATION OF SANDUSKY
ERIE 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, 2003

	Governmental Fund Type
	General
Cash Receipts	
Property and Other Local Taxes	\$ 633,968
Other Government Grants-In-Aid	1,819,285
Intergovernmental	-
Patron Fines and Fees	70,423
Earnings on Investments	27,760
Services Provided to Other Entities	1,006
Contributions, Gifts and Donations	51,517
Miscellaneous Receipts	34,221
	2,638,180
Cash Disbursements	
Current:	
Salaries and Benefits	1,698,180
Purchased and Contracted Services	513,503
Library Materials and Information	357,965
Supplies	63,236
Other Objects	11,195
Capital Outlay	385,428
	3,029,507
Total Cash Disbursements	3,029,507
Total Cash Receipts Over/(Under) Cash Disbursements	(391,327)
Other Financing Receipts/(Disbursements):	
Transfers-In	40,000
Transfers-Out	-
	40,000
Total Other Financing Receipts/(Disbursements)	40,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(351,327)
Fund Cash Balances, January 1	1,287,115
Fund Cash Balances, December 31	\$ 935,788
Reserves for Encumbrances, December 31	\$ 238,046

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types			Totals (Memorandum Only)
Special Revenue	Capital Projects	Fiduciary Fund Type	
\$ -	\$ -	\$ -	\$ 633,968
-	-	-	1,819,285
-	76,085	-	76,085
-	-	-	70,423
41	4	51,710	79,515
-	-	-	1,006
-	1,029,990	-	1,081,507
211	-	-	34,432
<u>252</u>	<u>1,106,079</u>	<u>51,710</u>	<u>3,796,221</u>
-	-	-	1,698,180
-	281,873	37,099	832,475
-	-	-	357,965
-	-	-	63,236
-	-	-	11,195
-	619,491	-	1,004,919
	<u>901,364</u>	<u>37,099</u>	<u>3,967,970</u>
<u>252</u>	<u>204,715</u>	<u>14,611</u>	<u>(171,749)</u>
-	-	-	40,000
-	-	(40,000)	(40,000)
-	-	(40,000)	-
252	204,715	(25,389)	(171,749)
26,468	200,131	742,602	2,256,316
<u>\$ 26,720</u>	<u>\$ 404,846</u>	<u>\$ 717,213</u>	<u>\$ 2,084,567</u>
<u>\$ -</u>	<u>\$ 394,198</u>	<u>\$ -</u>	<u>\$ 632,244</u>

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE 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, 2002

	Governmental Fund Type
	General
Cash Receipts	
Property and Other Local Taxes	\$ 654,348
Other Government Grants-In-Aid	1,839,531
Intergovernmental	-
Patron Fines and Fees	72,902
Earnings on Investments	29,328
Services Provided to Other Entities	1,000
Contributions, Gifts and Donations	230,544
Miscellaneous Receipts	164,338
	2,991,991
Cash Disbursements	
Current:	
Salaries and Benefits	1,591,995
Purchased and Contracted Services	414,847
Library Materials and Information	387,116
Supplies	65,654
Other Objects	21,181
Capital Outlay	70,783
	2,551,576
Total Cash Disbursements	2,551,576
Total Cash Receipts Over/(Under) Cash Disbursements	440,415
Other Financing Receipts/(Disbursements)	
Transfers-In	349
Transfers-Out	-
	349
Total Other Financing Receipts/(Disbursements)	349
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	440,764
Fund Cash Balances, January 1	846,351
Fund Cash Balances, December 31	\$ 1,287,115
Reserves for Encumbrances, December 31	\$ 486,718

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Governmental Fund Types			Totals (Memorandum Only)
Special Revenue	Capital Projects	Fiduciary Fund Type	
\$ -	\$ -	\$ -	\$ 654,348
-	-	-	1,839,531
-	108,530	-	108,530
-	-	-	72,902
76	7	81,010	110,421
-	-	-	1,000
-	273,680	-	504,224
248	-	-	164,586
<u>324</u>	<u>382,217</u>	<u>81,010</u>	<u>3,455,542</u>
-	-	-	1,591,995
-	183,832	79,545	678,224
-	-	-	387,116
-	-	-	65,654
-	-	-	21,181
-	-	-	70,783
<u>-</u>	<u>183,832</u>	<u>79,545</u>	<u>2,814,953</u>
<u>324</u>	<u>198,385</u>	<u>1,465</u>	<u>640,589</u>
-	-	-	349
-	-	(349)	(349)
<u>-</u>	<u>-</u>	<u>(349)</u>	<u>-</u>
324	198,385	1,116	640,589
26,144	1,746	741,486	1,615,727
<u>\$ 26,468</u>	<u>\$ 200,131</u>	<u>\$ 742,602</u>	<u>\$ 2,256,316</u>
<u>\$ -</u>	<u>\$ 184,254</u>	<u>\$ -</u>	<u>\$ 670,972</u>

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**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Library Association of Sandusky, Erie 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 10-member Board of Trustees self-appointed. 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 or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost, U.S. Savings Bonds and common stock are valued at cost or fair value when donated. STAR Ohio is 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:

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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. 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 Funds:

Perkins Fund - This fund was established through a donation from the county government toward funding services to Perkins Township.

Follett House Books Fund - This fund receives proceeds and interest on balance to benefit operations of the Follett House Museum, and was established by the Board for the gift of the book written by Helen M. Hansen entitled: *At Home in Early Sandusky*.

Grant Fund - This fund receives miscellaneous grants to support projects and activities of the Library.

3. 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 fund:

Building and Repair Fund --- This fund receives monies transferred from the General Fund for the purpose of rebuilding and maintaining the Library facilities.

4. Fiduciary Funds (Trust and Agency 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. Funds for which the Library is acting in an agency

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

capacity are classified as agency funds. The Library had the following significant fiduciary funds:

Lange Trust Fund - Proceeds of income from the trust are used to sponsor cultural and educational programs for residents of Erie County.

Graefe Trust Fund - Proceeds of income from the trust are used to purchase Library materials in accordance with the stipulations of the trust.

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 2003 and 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.

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:

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

	2003	2002
Cash on hand	\$ 300	\$ 300
Savings account	15,213	15,074
Demand deposits	908,358	1,053,365
Certificates of deposit	124,077	121,768
Total deposits	1,047,948	1,190,507
STAR Ohio	973,141	1,002,331
Treasury Bonds	1,000	1,000
Common Stock	62,478	62,478
Total investments	1,036,619	1,065,809
Total deposits and investments	\$ 2,084,567	\$ 2,256,316

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Investments: Series H.H. Savings Bonds and stock certificates are in the name of the Library and are held by the Library. 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, 2003, and December 31, 2002, follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,064,844	\$ 3,267,553	\$ 797,291
Special Revenue	26,508		26,508
Capital Projects	1,731,501	1,295,562	435,939
Fiduciary	102,937	77,099	25,838
Total	\$ 5,925,790	\$ 4,640,214	\$ 1,285,576

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,848,534	\$ 3,038,294	\$ 810,240
Special Revenue	26,184		26,184
Capital Projects	472,618	368,086	104,532
Fiduciary	129,292	79,894	49,398
Total	<u>\$ 4,476,628</u>	<u>\$ 3,486,274</u>	<u>\$ 990,354</u>

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 any additional revenues the Library receives.

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.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (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. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions and directors and officers (a hybrid policy).
- Employees' benefits liability.
- Employers' liability.
- Commercial crime coverage.
- Boiler and machinery.
- Terrorism.

The level of coverage was significantly increased during this audit period to reflect the construction project and renovation.

Health Insurance

The Library Association of Sandusky provides health insurance, either in full or on a pro-rated basis, for eligible employees through Anthem Blue Cross and Blue Shield. The Library also provides dental and vision insurance with the same qualifying provisions as health through Guardian.

**LIBRARY ASSOCIATION OF SANDUSKY
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

7. RELATED PARTY TRANSACTIONS

The Sandusky Library and Follett House Museum Foundation is also associated with the Library. The Foundation is a separate non-profit corporation to serve for the benefit and services of the Library. The Foundation is managed by a board of directors consisting of nine members, four of whom serve as community members and four of whom are Library Board members and are appointed for limited terms. The Director of the Library serves as a foundation board member as well. The Foundation pays the sum of \$1,000 per annum for the services of Library staff members. The Library also received \$704,990 in donations from the Foundation in 2003 and \$273,680 in 2002 for expenses related to the construction and renovation project.

The Library was a beneficiary in 1974 of the Norbert A. Lange and Marion Cleaveland Lange Trust. The Library is to use the interest income from the Trust to provide educational and cultural events for the residents of Erie County. The trust is maintained by Victory Capital Management, affiliated with Key Bank, of Cleveland, Ohio.

8. LIBRARY IMPROVEMENT PROJECT

On May 1, 2001, The City of Sandusky issued general obligation bonds in the amount of \$6,340,000 to renovate the Sandusky Library. The bonds have an interest rate ranging from 3 to 5 percent and mature on December 31, 2021. The bonds are being repaid from funds collected by a voted levy. The bonds are the liability of the City and are not reflected or disclosed in the financial statements of the Library.

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**Auditor of State
Betty Montgomery**

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

Library Association of Sandusky
Erie County
114 West Adams Street
Sandusky, Ohio 44870-2751

To the Board of Trustees:

We have audited the accompanying financial statements of the Library Association of Sandusky, Erie County, (the Library) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 10, 2004. 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 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. 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 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 May 10, 2004

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.



Betty Montgomery
Auditor of State

May 10, 2004



**Auditor of State
Betty Montgomery**

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LIBRARY ASSOCIATION OF SANDUSKY

ERIE 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 8, 2004**