

MEDINA COUNTY DISTRICT LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002



**Auditor of State
Betty Montgomery**

Board of Trustees
Medina County District Library
210 South Broadway
Medina, Ohio 44256

We have reviewed the Independent Auditor's Report of the Medina County District Library prepared by Rea & Associates, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Medina County District Library is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 16, 2004

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MEDINA COUNTY DISTRICT LIBRARY

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 27, 2004

To The Board of Trustees
Medina County District Library
Medina, Ohio 44256

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Medina County District Library, as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. 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 of America. 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 a prescribed basis of accounting that demonstrates compliance with the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments, and combined fund cash balances of Medina County District Library, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2004 on our consideration of Medina County District 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, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Medina County District Library

Combined Statement of Cash, Investments, and Fund

Cash Balances - All Fund Types

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash	<u>\$ 49,004,810</u>	<u>\$ 6,330,946</u>
Total	<u><u>\$ 49,004,810</u></u>	<u><u>\$ 6,330,946</u></u>

Cash Balances by Fund Type

Governmental Fund Types:

General Fund	\$ 4,147,667	\$ 3,789,467
Special Revenue Fund	1,394	4,656
Debt Service Fund	464,064	0
Capital Projects Fund	43,505,537	1,668,063

Fiduciary Fund Type:

Expendable Trust Fund	<u>886,148</u>	<u>868,760</u>
Total	<u><u>\$ 49,004,810</u></u>	<u><u>\$ 6,330,946</u></u>

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Receipts, Expenditures,
and Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund*

For the Year Ended December 31, 2003

	Governmental Fund Type		
	General	Special Revenue	Debt Service
Revenue			
Taxes	\$ 6,224,137	\$ 0	\$ 0
Patron Fines and Fees	123,318	0	0
Earnings on Investments	66,475	25	0
Contributions, Gifts and Donations	7,709	0	0
Miscellaneous Revenue	10,488	0	0
Total Revenue Receipts	6,432,127	25	0
Expenditure Disbursements			
Salaries and Benefits	3,842,460	0	0
Supplies	85,348	0	0
Purchased and Contracted Services	943,048	0	0
Library Material and Information	1,166,346	0	0
Capital Outlay	11,914	0	0
Other Objects	24,812	3,287	0
Total Expenditures	6,073,928	3,287	0
Excess of Revenue Over (Under) Expenditures	358,199	(3,262)	0
Other Financing Sources (Uses)			
Other Debt Proceeds	0	0	464,064
Total Other Financing Sources (Uses)	0	0	464,064
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	358,199	(3,262)	464,064
Fund Balance, January 1, 2003	3,789,468	4,656	0
Fund Balance, December 31, 2003	\$ 4,147,667	\$ 1,394	\$ 464,064

	Fiduciary Fund Type		
Capital Projects	Expendable Trust Fund		Total (Memorandum Only)
\$	0	\$	0
	0		0
	100,539		12,359
	0		18,991
	0		8,119
	100,539		39,469
			6,224,137
			123,318
			179,398
			26,700
			18,607
			6,572,160
	0		0
	0		5,081
	423,844		10,105
	0		6,893
	139,220		0
	449,742		0
	1,012,806		22,079
			3,842,460
			90,429
			1,376,997
			1,173,239
			151,134
			477,841
			7,112,100
	(912,267)		17,390
			(539,940)
	42,749,740		0
	42,749,740		0
			43,213,804
			43,213,804
	41,837,473		17,390
			42,673,864
	1,668,064		868,758
			6,330,946
\$	43,505,537	\$	886,148
		\$	49,004,810

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Receipts, Expenditures,
and Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund*

For the Year Ended December 31, 2002

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
<u>Revenue</u>			
Taxes	\$ 6,243,628	\$ 0	\$ 0
Patron Fines and Fees	126,575	0	0
Earnings on Investments	75,125	223	26,741
Contributions, Gifts and Donations	9,617	0	0
Miscellaneous Revenue	23,079	0	0
Total Revenue Receipts	6,478,024	223	26,741
<u>Expenditure Disbursements</u>			
Salaries and Benefits	3,551,059	0	0
Supplies	105,767	0	0
Purchased and Contracted Services	983,839	11,948	9,919
Library Material and Information	1,199,651	0	0
Capital Outlay	122,504	0	60,837
Other Objects	23,985	0	0
Total Expenditures	5,986,805	11,948	70,756
Excess of Revenue Over (Under) Expenditures	491,219	(11,725)	(44,015)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers-In	0	0	200,000
Operating Transfers-Out	(200,000)	0	0
Total Other Financing Sources (Uses)	(200,000)	0	200,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	291,219	(11,725)	155,985
Fund Balance, January 1, 2002	3,498,249	16,381	1,512,079
Fund Balance, December 31, 2002	\$ 3,789,468	\$ 4,656	\$ 1,668,064

Fiduciary Fund Type		
Expendable Trust Fund		Total (Memorandum Only)
\$	0	\$ 6,243,628
	0	126,575
	12,521	114,610
	17,563	27,180
	8,057	31,136
	38,141	6,543,129
	0	3,551,059
	7,358	113,125
	12,845	1,018,551
	6,027	1,205,678
	7,005	190,346
	0	23,985
	33,235	6,102,744
	4,906	440,385
	0	200,000
	0	(200,000)
	0	0
	4,906	440,385
	863,852	5,890,561
\$	868,758	\$ 6,330,946

See accompanying notes to the financial statements.

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Medina County District Library

Combined Statement of Receipts - Budget and Actual

For the Year Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Fund Types/Funds</u>			
Governmental			
General	\$ 6,481,500	\$ 6,432,127	\$ (49,373)
Special Revenue	0	25	25
Debt Service	460,730	464,064	3,334
Capital Projects	42,794,740	42,850,279	55,539
Fiduciary			
Expendable Trust Fund	49,500	39,469	(10,031)
Total (Memorandum Only)	\$ 49,786,470	\$ 49,785,964	\$ (506)

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Disbursements and Encumbrances
Compared with Expenditures Authority*

For the Year Ended December 31, 2003

	Prior Year Carryover Appropriations	2003 Appropriations	Total
<u>Fund Types/Funds</u>			
<u>Governmental</u>			
General	\$ 143,535	\$ 6,619,380	\$ 6,762,915
Special Revenue	0	3,500	3,500
Capital Projects	7,895	761,300	769,195
<u>Fiduciary</u>			
Expendable Trust Fund	256	41,000	41,256
Total (Memorandum Only)	\$ 151,686	\$ 7,425,180	\$ 7,576,866

Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
\$ 6,073,928	\$ 221,552	\$ 6,295,480	\$ 467,435
3,287	0	3,287	213
1,012,806	41,968	1,054,774	(285,579)
22,079	684	22,763	18,493
\$ 7,112,100	\$ 264,204	\$ 7,376,304	\$ 200,562

See accompanying notes to the financial statements.

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Medina County District Library

Combined Statement of Receipts - Budget and Actual

For the Year Ended December 31, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Fund Types/Funds</u>			
Governmental			
General	\$ 6,216,025	\$ 6,478,024	\$ 261,999
Special Revenue	500	223	(277)
Capital Projects	45,000	226,741	181,741
Fiduciary			
Expendable Trust Fund	74,500	38,141	(36,359)
Total (Memorandum Only)	\$ 6,336,025	\$ 6,743,129	\$ 407,104

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Disbursements and Encumbrances
Compared with Expenditures Authority*

For the Year Ended December 31, 2002

	Prior Year Carryover Appropriations	2002 Appropriations	Total
<u>Fund Types/Funds</u>			
<u>Governmental</u>			
General	\$ 164,752	\$ 6,422,000	\$ 6,586,752
Special Revenue	15,150	1,050	16,200
Capital Projects	37,300	537,000	574,300
<u>Fiduciary</u>			
Expendable Trust Fund	2,982	56,500	59,482
Total (Memorandum Only)	\$ 220,184	\$ 7,016,550	\$ 7,236,734

Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total	Variance Favorable (Unfavorable)
\$ 6,186,805	\$ 143,535	\$ 6,330,340	\$ 256,412
11,948	0	11,948	4,252
70,756	7,895	78,651	495,649
33,235	257	33,492	25,990
\$ 6,302,744	\$ 151,687	\$ 6,454,431	\$ 782,303

See accompanying notes to the financial statements.

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Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Medina County District Library is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Medina County District Library is a Library as defined by Section 3375.19 of the Ohio Revised Code. The Library operates under a Board of Trustees (seven members). Four members are appointed by the Medina County Commissioners and three by the Medina County Common Pleas Judge. The members serve a seven year term.

Management believes the financial statements included in this report represent all of the funds of the Library over which the Library has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Library prepares its financial statements on a basis of cash receipts and disbursements which is permitted by the Auditor of State; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Library under the basis of accounting used. By virtue of Ohio Law, the Library is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

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

D. FUND ACCOUNTING

The Library maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specific purposes. The Library has the following Special Revenue Fund:

Grant Fund – This fund is used to account for receipts that are restricted for special programs of the Library.

Debt Service Fund

The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the construction of a new library. The Library has the following Debt Service Fund:

Debt Service Fund – This fund is used to account for receipts that are restricted for the payment of general obligation bonds.

Capital Projects Funds

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The Library has the following Capital Project Funds:

Building and Repair Fund – This fund is used to account for receipts that are restricted for improvements to buildings and equipment purchases.

Construction/Renovation Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects and equipment purchases.

FIDUCIARY FUND TYPE

Expendable Trust Fund

The Expendable Trust Fund is used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Library has the following Expendable Trust Fund:

Endowment Fund – This fund is used to account for receipts that are restricted from the donor for specific purposes.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

E. BUDGETARY PROCESS

The board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund level of control.

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

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. ACCUMULATED UNPAID VACATION, PERSONAL LEAVE, AND SICK PAY

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 2003 and 2002, management estimates that \$123,577 and \$113,281 in vacation leave and \$464,484 and \$464,892 in sick leave has been accumulated by the employees of the Library, respectively. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2003 and 2002.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 POOLED CASH AND INVESTMENTS

State statutes classify monies held by the Library into three categories:

Active deposits are public deposits necessary to meet current demands on the Library. Such monies must be maintained either as cash in the bank, in commercial accounts payable, or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook savings.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

Interim deposits are deposits of interim monies. Interim deposits are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be invested in the following obligations provided they matured or were redeemable within two years from the date of purchase. All of Medina County District Library's deposits are held in approved institutions and are FDIC insured.

1. United States treasury notes, bills, bonds, or other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

collateral pool established by the financial institution to secure the payment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3. "Deposits with Federal Institutions, Investments, and Reserve Repurchase Agreement".

Deposits.

At December 31, 2003, the carrying amount of the Library's deposits was \$3,758,388, including a \$550 of cash on hand and \$3,812,603 in non-negotiable certificates of deposit. The total bank balance was \$4,114,698. Of the bank balance, \$300,000 was covered by federal deposit insurance and the remaining \$3,814,698 uninsured and uncollateralized.

At December 31, 2002, the carrying amount of the Library's deposits was \$640,843, including a \$550 of cash on hand and \$800,000 in non-negotiable certificates of deposit. The total bank balance was \$872,138. Of the bank balance, \$172,138 was covered by federal deposit insurance and the remaining \$700,000 uninsured and uncollateralized.

Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the Library to a successful claim by the Federal Deposit Insurance Corporation.

Investments. GASB Statement No. 3 "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the Library to categorize investments to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or its agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Library's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

	For the Year Ended December 31, 2003				
	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	\$ 0	\$ 533,687	\$ 533,687	\$ 533,687
Treasury, bonds and notes	0	0	15,772,224	15,772,224	15,771,143
StarOhio	0	0	0	28,940,511	28,940,511
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,305,911</u>	<u>\$ 45,246,422</u>	<u>\$ 45,245,341</u>

	For the Year Ended December 31, 2002				
	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	\$ 0	\$ 500,000	\$ 500,000	\$ 500,000
StarOhio	0	0	0	5,190,103	5,190,103
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 500,000</u>	<u>\$ 5,690,103</u>	<u>\$ 5,690,103</u>

NOTE 3 PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) years 2003 and 2002 was \$1.25 per \$1,000 of assessed valuation for both years. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.693 and \$.697 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$.692 and \$.687 per \$1,000 of assessed valuation for all other real property for 2003 and 2002, respectively. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Library by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible property for the tax (calendar) years 2003 and 2002 was \$1.25 per \$1,000 of assessed valuation.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

	2003 Valuation	2002 Valuation
Real Property		
Residential/Agricultural	\$ 2,415,697,610	\$ 2,313,851,950
Commerical/Industrial	457,233,380	450,649,040
Public Utilities	534,820	522,330
Mineral	951,200	945,230
 Tangible Personal Property		
General	264,534,684	265,162,982
Public Utilities	87,214,550	83,975,020
 Total Valuation	<u>\$ 3,226,166,244</u>	<u>\$ 3,115,106,552</u>

The Medina County Treasurer collects property tax on behalf of all taxing Libraries within the county. The Medina County Auditor periodically remits to the taxing Libraries their portion of the taxes collected.

NOTE 4 INSURANCE

The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

NOTE 5 RETIREMENT COMMITMENTS

Public Employees Retirement System

Public Employees Retirement System of Ohio is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees. The 2003 employer contribution rate to the system was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

NOTE 6 POST EMPLOYMENT HEALTH CARE BENEFITS

Public Employees Retirement System

In addition to providing pension benefits through Public Employee Retirement System of Ohio ("System"), the System provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate was 13.55% of covered payroll; 5.0% was the portion that was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. As of December 31, 2003, the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion respectively. As of December 31, 2003, the actuarial value of the Retirement System's net assets available for OPEB was \$11.6 billion. The number of benefit recipients eligible for OPEB at December 31, 2003 was 402,041. The portion of employer contributions that were used to fund postemployment benefits were \$480,817 and \$387,612 for December 31, 2003 and 2002, respectively.

NOTE 7 LEASES

Effective June 26, 2000, the Medina County District Library renewed a lease agreement with Medina County Publications, Inc. for an office building. The terms of the lease are for a five year non-cancelable lease at \$3,545, per month, indexed yearly according to the "Consumer Price Index". The following is a schedule by years of future minimum rental payments required under the operating lease that has a remaining noncancellable lease term in excess of one year as of December 31, 2003:

Year Ending December 31,		
2004	\$	42,540
2005		21,270
	\$	<u>63,810</u>

The total lease expense for the year ended December 31, 2003 and 2002 was \$42,540 and \$42,540, respectively.

Medina County District Library

Notes to the Financial Statements

December 31, 2003 and 2002

NOTE 13 LONG-TERM OBLIGATIONS

The changes in the Library's long-term obligations during the year consist of the following:

Outstanding December 31, 2001	Additions	Deductions	Outstanding December 31, 2003	Due in less than one year
\$ 0	\$ 42,300,000	\$ 0	\$ 42,300,000	\$ 1,540,000.00
<u>\$ 0</u>	<u>\$ 42,300,000</u>	<u>\$ 0</u>	<u>\$ 42,300,000</u>	<u>\$ 1,540,000.00</u>

In 2003, the Library issued \$42,300,000 in general obligation bonds, at rates from 2% - 5.25% and maturity dates from 2004 through 2023, for renovations to two buildings and construction of three new buildings. The voters approved a tax levy to payoff the bonds over the next 20 years.

Principal and interest requirements to retire general obligation bonds outstanding at December 31, 2003 are as follows:

Fiscal Year Ending December 31,	General Obligation Bonds
2004	\$ 3,734,695
2005	3,415,788
2006	3,467,687
2007	3,517,887
2008	3,262,263
2009-2013	16,295,788
2014-2018	16,299,513
2019-2023	16,305,745
Total Principal and Interest	<u>66,299,366</u>
Less Interest	<u>23,999,366</u>
Total Principal Outstanding	<u>\$ 42,300,000</u>

Bonds will be paid from the Debt Service Fund.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 27, 2004

To The Board of Trustees
Medina County District Library
Medina, Ohio 44256

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Medina County District Library as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 27, 2004. 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 Medina County District 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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Medina County District Library in a separate letter dated April 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Medina County District 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 we have reported to management of the Medina County District Library in a separate letter dated April 27, 2004

This report is intended solely for the information and use of management, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Betty Montgomery**

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MEDINA COUNTY DISTRICT LIBRARY

MEDINA 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 29, 2004**