



**Auditor of State
Betty Montgomery**

REED MEMORIAL LIBRARY
PORTAGE COUNTY

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of the Reed Memorial Library, Portage County, Ohio, (the Library) as of and for the years ended December 31, 2002 and 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 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, 2002 and 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 February 7, 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.

Reed Memorial Library
Portage County
Report of Independent Accountants
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This report is intended solely for the information and use of the 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

February 7, 2003

**REED MEMORIAL LIBRARY
PORTAGE 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**

	<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:				
Property and Other Local Taxes	\$1,077,845			\$1,077,845
Patron Fines and Fees	21,997			21,997
Earnings on Investments	7,023	\$17,699		24,722
Services Provided to Other Entities	4,513			4,513
Contributions, Gifts and Donations	26,770	300	\$100,000	127,070
Miscellaneous Receipts	2,285	5,380	42,129	49,794
	<u>1,140,433</u>	<u>23,379</u>	<u>142,129</u>	<u>1,305,941</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	640,236			640,236
Purchased and Contracted Services	119,944	13,069		133,013
Library Materials and Information	234,944		1,006	235,950
Supplies	26,520			26,520
Other Objects	289	25		314
Capital Outlay	3,085	230,709		233,794
	<u>1,025,018</u>	<u>243,803</u>	<u>1,006</u>	<u>1,269,827</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>115,415</u>	<u>(220,424)</u>	<u>141,123</u>	<u>36,114</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	131			131
Transfers-In		150,000		150,000
Transfers-Out	(150,000)			(150,000)
Other Financing Sources	100			100
	<u>(149,769)</u>	<u>150,000</u>		<u>231</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(34,354)	(70,424)	141,123	36,345
Fund Cash Balances, January 1	<u>234,456</u>	<u>1,003,701</u>	<u>1,694,183</u>	<u>2,932,340</u>
Fund Cash Balances, December 31	<u>\$200,102</u>	<u>\$933,277</u>	<u>\$1,835,306</u>	<u>\$2,968,685</u>
Reserves for Encumbrances, December 31	<u>\$1,033</u>			<u>\$1,033</u>

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

**REED MEMORIAL LIBRARY
PORTAGE 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, 2002**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Earnings on Investments		\$27	\$27
Operating Cash Disbursements:			
Current:			
Purchased and Contracted Services	1,560		1,560
Library Material and Information		64	64
Other Objects	1,355		1,355
Total Operating Cash Disbursements	2,915	64	2,979
Operating Loss	(2,915)	(37)	(2,952)
Non-Operating Cash Receipts:			
Miscellaneous Revenue	6,009		6,009
Net Receipts Over/(Under) Disbursements	3,094	(37)	3,057
Fund Cash Balances, January 1	3,031	1,564	4,595
Fund Cash Balances, December 31	<u>\$6,125</u>	<u>\$1,527</u>	<u>\$7,652</u>

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

**REED MEMORIAL LIBRARY
PORTAGE 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**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$1,168,787				\$1,168,787
Patron Fines and Fees	23,867				23,867
Earnings on Investments	16,233		\$36,212	\$91,445	143,890
Services Provided to Other Entities	1,783				1,783
Contributions, Gifts and Donations	5,894	\$18,358		23,535	47,787
Miscellaneous Receipts	1,990		4,355		6,345
	<u>1,218,554</u>	<u>18,358</u>	<u>40,567</u>	<u>114,980</u>	<u>1,392,459</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	585,884	17,007	206		603,097
Supplies	23,103	1,351			24,454
Purchased and Contracted Services	116,934				116,934
Library Materials and Information	226,764				226,764
Other Objects	270		50		320
Capital Outlay			170,679		170,679
	<u>952,955</u>	<u>18,358</u>	<u>170,935</u>		<u>1,142,248</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>265,599</u>		<u>(130,368)</u>	<u>114,980</u>	<u>250,211</u>
Other Financing Receipts/(Disbursements):					
Sale of Fixed Assets	81				81
Transfers-In			455,000		455,000
Transfers-Out	(455,000)				(455,000)
Other Financing Sources				939	939
Other Financing Uses				(50)	(50)
	<u>(454,919)</u>		<u>455,000</u>	<u>889</u>	<u>970</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(189,320)		324,632	115,869	251,181
Fund Cash Balances, January 1	423,776	0	679,069	1,578,314	2,681,159
Fund Cash Balances, December 31	<u>\$234,456</u>	<u>\$0</u>	<u>\$1,003,701</u>	<u>\$1,694,183</u>	<u>\$2,932,340</u>
Reserves for Encumbrances, December 31	<u>\$950</u>				<u>\$950</u>

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

**REED MEMORIAL LIBRARY
PORTAGE 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 Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Earnings on Investments		\$64	\$64
Operating Cash Disbursements:			
Current:			
Purchased and Contracted Services	\$282		282
Library Material and Information		112	112
Total Operating Cash Disbursements	282	112	394
Operating Loss	(282)	(48)	(330)
Non-Operating Cash Receipts:			
Miscellaneous Revenue	3,313		3,313
Net Receipts Over/(Under) Disbursements	3,031	(48)	2,983
Fund Cash Balances, January 1		1,612	1,612
Fund Cash Balances, December 31	\$3,031	\$1,564	\$4,595

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

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Reed Memorial Library, Portage 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 the Ravenna City School Board. The Library is a member of the Portage Library Consortium. 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 in cash 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. Money market mutual funds are recorded at share values reported by the mutual fund. The investment in STAR Ohio (State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

Bill and Melinda Gates Foundation Grant Fund- This fund receives donations to purchase computer equipment and software in 2001.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project 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).

Buildings and Repair Fund- This fund is for the expansion, maintenance, repair or renovation of Library's buildings.

4. Enterprise Funds

These funds account 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 Enterprise Fund receives money from rental property fees charged to tenants.

5. Fiduciary Funds (Expendable Trust and Non-Expendable Trust Funds)

These 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 non-expendable trust fund. Other trust funds are classified as expendable. Trust funds are used to account for resources restricted by legally binding trust agreements.

Weller Expendable Trust Fund - This fund received \$899,790 from the closing of a trustee account at a local bank in 2000. It is an unrestricted trust fund.

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.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Library.

**REED MEMORIAL LIBRARY
PORTAGE 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	\$535,510	\$53,875
Certificates of deposit	489,000	1,018,617
Total deposits	1,024,510	1,072,492
STAR Ohio	1,757,789	1,864,443
McDonald Investments-Money Market Fund	194,038	0
Total investments	1,951,827	1,864,443
Total deposits and investments	\$2,976,337	\$2,936,935

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Library's investments in STAR Ohio and McDonald Investments Money Market Fund are not evidenced by securities that exists in physical or book entry form.

STAR Ohio is an investment pool created pursuant to Ohio statues and managed by the Treasurer of the State of Ohio. STAR Ohio is not a registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. McDonald Investments Money Market Fund is registered under the Investment Company Act of 1940, as an opened-end management investment company. These investments are valued at their share price.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,349,047	\$1,176,051	\$172,996
Capital Projects	329,200	243,803	85,397
Enterprise	9,760	2,915	6,845
Fiduciary	1,070	1,070	0
Total	\$1,689,077	\$1,423,839	\$265,238

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

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

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,559,228	\$1,408,905	\$150,323
Special Revenue	19,000	18,358	642
Capital Projects	174,879	170,935	3,944
Enterprise	6,300	282	6,018
Fiduciary	162	162	0
Total	\$1,759,569	\$1,598,642	\$160,927

4. GRANTS-IN-AID

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.

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.

4. GRANTS-IN-AID (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

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. The Library has paid all contributions required through December 31, 2002.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

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

6. RESTATEMENT OF FUND BALANCE

Following the close of the fiscal year end December 31, 2000, an error was discovered in the beginning fund balance of the general fund. As a result the ending fund balance was misstated on the Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances- All Governmental and Similar Fiduciary Fund Types. This error requires a restatement of beginning fund balance from \$424,649 to \$423,776.

7. RISK MANAGEMENT

Commercial Insurance

The Reed Memorial Library has obtained commercial insurance for the following risks:

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

The library has also obtained health insurance and dental and vision coverage to full-time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

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

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of the Reed Memorial Library, Potage County, Ohio, (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated February 7, 2003. 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. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated February 7, 2003.

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 does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated February 7, 2003.

Reed Memorial Library
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 7, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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REED MEMORIAL LIBRARY

PORTAGE 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
APRIL 1, 2003**