



**Auditor of State  
Betty Montgomery**



LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
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.....	3
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.....	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

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Louisville Public Library  
Stark County  
700 Lincoln Avenue  
Louisville, Ohio 44641

To the Board of Trustees:

We have audited the accompanying financial statements of the Louisville Public Library, (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 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 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 fund cash balances and reserves for encumbrances of the Library as of December 31, 2002 and 2001, and its 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 July 10, 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.

Louisville Public Library  
Stark County  
Independent Accountants' Report  
Page 2

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

July 10, 2003

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

**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>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$722,492			\$722,492
Patron Fines and Fees	18,238			18,238
Earnings on Investments	7,395	\$20,561	\$162	28,118
Services Provided to Other Entities	7,416			7,416
Contributions, Gifts and Donations	175			175
Miscellaneous Receipts	6,078			6,078
Total Cash Receipts	<u>761,794</u>	<u>20,561</u>	<u>162</u>	<u>782,516</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	455,344			455,344
Purchased and Contracted Services	93,822			93,822
Library Materials and Information	191,090			191,090
Supplies	24,049			24,049
Other Objects	4,526			4,526
Capital Outlay	8,313	1,000		9,313
Total Cash Disbursements	<u>777,145</u>	<u>1,000</u>	<u>0</u>	<u>778,145</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(15,352)</u>	<u>19,561</u>	<u>162</u>	<u>4,371</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sales of Property	590			590
Transfers-In		70,000		70,000
Transfers-Out	(70,000)			(70,000)
Total Other Financing Receipts/(Disbursements)	<u>(69,410)</u>	<u>70,000</u>	<u>0</u>	<u>590</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(84,761)	89,561	162	4,961
Fund Cash Balances, January 1	<u>246,493</u>	<u>823,065</u>	<u>8,128</u>	<u>1,077,686</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$161,732</b></u>	<u><b>\$912,626</b></u>	<u><b>\$8,290</b></u>	<u><b>\$1,082,647</b></u>
Reserves for Encumbrances, December 31	<u>\$1,470</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,470</u>

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

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$791,710			\$791,710
Patron Fines and Fees	15,552			15,552
Earnings on Investments	8,233	\$29,664	\$1,031	38,928
Services Provided to Other Entities	9,730			9,730
Contributions, Gifts and Donations	290			290
Miscellaneous Receipts	7,321			7,321
<b>Total Cash Receipts</b>	<b>832,836</b>	<b>29,664</b>	<b>1,031</b>	<b>863,532</b>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	431,834			431,834
Purchased and Contracted Services	98,898		15,264	114,162
Library Materials and Information	183,064			183,064
Supplies	18,865			18,865
Other Objects	6,550			6,550
Capital Outlay	7,824			7,824
<b>Total Cash Disbursements</b>	<b>747,035</b>	<b>0</b>	<b>15,264</b>	<b>762,299</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>85,801</b>	<b>29,664</b>	<b>(14,232)</b>	<b>101,233</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sales of Property	1,034			1,034
Transfers-In		25,000		25,000
Transfers-Out	(25,000)			(25,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(23,966)</b>	<b>25,000</b>	<b>0</b>	<b>1,034</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>61,835</b>	<b>54,664</b>	<b>(14,232)</b>	<b>102,267</b>
<b>Fund Cash Balances, January 1</b>	<b>184,658</b>	<b>768,401</b>	<b>22,360</b>	<b>975,419</b>
<b>Fund Cash Balances, December 31</b>	<b>\$246,493</b>	<b>\$823,065</b>	<b>\$8,128</b>	<b>\$1,077,686</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$21,951</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,951</b>

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



**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Louisville Public Library, Stark County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Louisville City School District's Board of Education. The Library is a school district public library which 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. The investments in STAR Ohio are recorded at share values 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. 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). The Library had the following Capital Project Fund:

Building and Repair Fund – This fund is used for all major construction and renovations.

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

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

**D. Fund Accounting (Continued)**

**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 Fiduciary Fund:

Bonnet Fund – This expendable trust fund is used to account for any special projects that the Board deems necessary.

**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 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.

**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	\$19,259	\$42,415
Cash of hand	90	90
Certificates of deposit	399,399	383,073
Total deposits	418,748	425,578
STAR Ohio	663,900	652,108
Total investments	663,900	652,108
Total deposits and investments	\$1,082,647	\$1,077,686

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

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

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

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

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,020,262	\$848,615	\$171,647
Capital Projects	1,000	1,000	0
Expendable Trust	0	0	0
Total	\$1,021,262	\$849,615	\$171,647

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,018,303	\$793,986	\$224,317
Capital Projects	0	0	0
Expendable Trust	15,264	15,264	0
Total	\$1,033,567	\$809,250	\$224,317

**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 a formula which incorporates square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. 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.

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

**4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)**

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.

**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. For 2001 and 2002, members of OPERS contributed 8.5% of their gross salaries. The Library members contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

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

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

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**7. SUBSEQUENT EVENT**

Subsequent to December 31, 2002, the Library became aware of a potential loss resulting from their payroll service organization. Although the outcome of this issue is not presently determinable, management believes the resolution of this matter will not materially affect the Library's financial condition.



**Auditor of State  
Betty Montgomery**

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

Louisville Public Library  
Stark County  
700 Lincoln Avenue  
Louisville, Ohio 44641

To the Board of Trustees:

We have audited the accompanying financial statements of the Louisville Public Library (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 10, 2003. 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 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Finding as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to material weaknesses. However, we consider the item described above to be a material weakness.

111 Second St., NW / Fourth Floor / Canton, OH 44702  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated July 10, 2003.

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 10, 2003

**LOUISVILLE PUBLIC LIBRARY  
STARK COUNTY**

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

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2002-001**

**Material Weakness**

**Third-Party Administrators (TPA) and SAS 70**

The Library has delegated its payroll processing, which is a significant accounting function, to a third-party administrator. Although the Library has established limited monitoring controls, these procedures are not adequate to determine whether the service organization has sufficient controls in place that are operating effectively to reduce the risk that payroll has been completely and accurately processed in accordance with the contract.

We recommend the Library implement additional procedures to help assure the completeness and accuracy of payroll processing by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Library with an appropriate level of assurance that payroll is being processed in conformance with the contract.

The Library should consider increasing its level of monitoring over payroll processing by the third-party administrator. In the absence of increased monitoring, we recommend the Library specify in its contracts with third-party administrators that an annual Tier II SAS 70 audit report be performed. The Library should be provided a copy of the SAS 70 report timely and should review the report's contents. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide a Tier II SAS 70 report, we recommend the Library contract with a third-party administrator that will provide such a report.







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**LOUISVILLE PUBLIC LIBRARY**

**STARK 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  
AUGUST 19, 2003**