



**Auditor of State
Betty Montgomery**

NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Newton Falls Public Library
Trumbull County
204 South Canal Street
Newton Falls, Ohio 44444

To the Board of Trustees:

We have audited the accompanying financial statements of the Newton Falls Public Library, Trumbull 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 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 June 20, 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, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, 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

June 20, 2003

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$812,478		\$812,478
Intergovernmental	880		880
Patron Fines and Fees	14,650		14,650
Earnings on Investments	1,943	\$3,497	5,440
Contributions, Gifts and Donations	1,961	8,370	10,331
Miscellaneous Receipts	1,169		1,169
	<u>833,081</u>	<u>11,867</u>	<u>844,948</u>
Total Cash Receipts			
	<u>833,081</u>	<u>11,867</u>	<u>844,948</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	579,141		579,141
Supplies	24,818		24,818
Purchased and Contracted Services	101,497		101,497
Library Materials & Information	89,429		89,429
Other Objects	7,731		7,731
Capital Outlay	34,670		34,670
	<u>837,286</u>	<u>0</u>	<u>837,286</u>
Total Cash Disbursements			
	<u>837,286</u>	<u>0</u>	<u>837,286</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,205)</u>	<u>11,867</u>	<u>7,662</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	287		287
Transfers-Out		(287)	(287)
	<u>287</u>	<u>(287)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
	<u>287</u>	<u>(287)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(3,918)</u>	<u>11,580</u>	<u>7,662</u>
Fund Cash Balances, January 1	<u>77,715</u>	<u>200,653</u>	<u>278,368</u>
Fund Cash Balances, December 31	<u>\$73,797</u>	<u>\$212,233</u>	<u>\$286,030</u>
Reserves for Encumbrances, December 31	<u>\$73,797</u>	<u>\$130,687</u>	<u>\$204,484</u>

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

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$871,214			\$871,214
Intergovernmental		\$14,669		14,669
Patron Fines and Fees	12,906			12,906
Earnings on Investments	5,956		\$7,795	13,751
Contributions, Gifts and Donations	1,335		8,014	9,349
Miscellaneous Receipts	1,177			1,177
Total Cash Receipts	<u>892,588</u>	<u>14,669</u>	<u>15,809</u>	<u>923,066</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	587,835			587,835
Supplies	27,273	20		27,293
Purchased and Contracted Services	120,350			120,350
Library Materials & Information	115,740			115,740
Other Objects	5,322			5,322
Capital Outlay	99,965	27,630		127,595
Total Cash Disbursements	<u>956,485</u>	<u>27,650</u>	<u>0</u>	<u>984,135</u>
Total Cash Receipts Over/(Under) Cash Disbursement	<u>(63,897)</u>	<u>(12,981)</u>	<u>15,809</u>	<u>(61,069)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		12,981		12,981
Transfers-Out	(12,981)			(12,981)
Total Other Financing Receipts/(Disbursements)	<u>(12,981)</u>	<u>12,981</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(76,878)	0	15,809	(61,069)
Fund Cash Balances, January 1	154,593	0	184,844	339,437
Fund Cash Balances, December 31	<u>\$77,715</u>	<u>\$0</u>	<u>\$200,653</u>	<u>\$278,368</u>
Reserves for Encumbrances, December 31	<u>\$77,715</u>	<u>\$0</u>	<u>\$127,036</u>	<u>\$204,751</u>

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

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Newton Falls Public Library, Trumbull 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 7-member Board of Trustees appointed by the Newton Falls Board of Education. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

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. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Library had the following significant special revenue fund:

LSTA Technology & Information Access Grant Fund – This fund accounted for proceeds and expenditures for a Library Resource Sharing Project Federal Grant administered by the State Library Association.

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). The Library had the following significant capital project fund:

Building Fund – This fund accounted for proceeds from donations for renovations to the library.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL 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	\$7,715	\$18,087
Certificates of deposit	100,000	0
Total deposits	107,715	18,087
STAR Ohio	178,315	260,281
Total investments	178,315	260,281
Total deposits and investments	\$286,030	\$278,368

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$911,082	\$911,083	(\$1)
Special Revenue	0	0	0
Capital Projects	130,974	130,974	0
Total	\$1,042,056	\$1,042,057	(\$1)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,047,181	\$1,047,181	\$0
Special Revenue	27,650	27,650	0
Capital Projects	127,036	127,036	0
Total	\$1,201,867	\$1,201,867	\$0

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

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

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 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.

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

The Library received the LSTA Technology & Information Access 2001 Mini-Grant. This grant was administered by the State Library Association and funded by Federal Funds and a required local match.

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 for 2001 and 2002. The Library has paid all contributions required through December 31, 2002.

**NEWTON FALLS PUBLIC LIBRARY
TRUMBULL COUNTY**

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

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive Property and Commercial Liability
- Errors and Omissions Liability

The Library also provides health, dental, vision, and life insurance to all eligible employees. Coverage varies according to full- or part-time status and family or single plan.

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**Auditor of State
Betty Montgomery**

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

Newton Falls Public Library
Trumbull County
204 South Canal Street
Newton Falls, Ohio 44444

To the Board of Trustees:

We have audited the accompanying financial statements of the Newton Falls Public Library, Trumbull County, Ohio (the Library) as of and for the years ended December 2002 and 2001, and have issued our report thereon dated June 20, 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, and contracts, 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. 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.

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

June 20, 2003



**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

NEWTON FALLS PUBLIC LIBRARY

TRUMBULL 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
SEPTEMBER 2, 2003**