



**Auditor of State
Betty Montgomery**

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS

Portage County District Library
Portage County
10482 South Street
Garrettsville, Ohio 44231

To the Board of Trustees:

We have audited the accompanying financial statements of the Portage County District 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 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 May 30, 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.

Portage County District Library
Portage County
Report of Independent Accountants
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

May 30, 2003

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Library and Local Government Support	\$2,557,324				\$2,557,324
Intergovernmental		\$124,638			124,638
Patron Fines and Fees	51,555				51,555
Earnings on Investments	30,861				30,861
Services Provided to Other Entities	31,373				31,373
Contributions, Gifts and Donations	16,419				16,419
Miscellaneous Receipts	17,390				17,390
Total Cash Receipts	<u>2,704,922</u>	<u>124,638</u>			<u>2,829,560</u>
Cash Disbursements:					
Current:					
Salaries	1,501,199				1,501,199
Employee Fringe Benefits	405,918				405,918
Purchased and Contracted Services	362,223	14,836			377,059
Library Materials and Information	504,234				504,234
Supplies	63,799	3,266			67,065
Other Objects	8,122				8,122
Capital Outlay	48,546	133,217		62,351	244,114
Total Cash Disbursements	<u>2,894,041</u>	<u>151,319</u>		<u>62,351</u>	<u>3,107,711</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(189,119)</u>	<u>(26,681)</u>		<u>(62,351)</u>	<u>(278,151)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		6,629		11,218	17,847
Transfers-Out	(17,822)		(25)		(17,847)
Total Other Financing Receipts/(Disbursements)	<u>(17,822)</u>	<u>6,629</u>	<u>(25)</u>	<u>11,218</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(206,941)	(20,052)	(25)	(51,133)	(278,151)
Fund Cash Balances, January 1	676,211	309,678	25	505,735	1,491,649
Fund Cash Balances, December 31	<u><u>\$469,270</u></u>	<u><u>\$289,626</u></u>	<u><u>\$0</u></u>	<u><u>\$454,602</u></u>	<u><u>\$1,213,498</u></u>
Reserves for Encumbrances, December 31	<u><u>\$295,649</u></u>			<u><u>\$30,000</u></u>	<u><u>\$325,649</u></u>

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

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Agency Fund
Operating Cash Receipts:	
Library and Local Government Support	\$218,636
Earnings on Investments	6,011
Miscellaneous Receipts	1,508
Total Operating Cash Receipts	226,155
Operating Cash Disbursements:	
Current:	
Salaries	1,954
Employee Fringe Benefits	303
Purchased and Contracted Services	90,268
Library Materials and Information	35,798
Supplies	2,657
Capital Outlay	74,400
Total Operating Cash Disbursements	205,380
Operating Income	20,775
Fund Cash Balances, January 1	351,625
Fund Cash Balances, December 31	\$372,400
Reserves for Encumbrances, December 31	\$287,525

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

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Library and Local Government Support	\$2,773,121				\$2,773,121
Intergovernmental	6,726				6,726
Patron Fines and Fees	47,746				47,746
Earnings on Investments	64,456				64,456
Services Provided to Other Entities	37,367				37,367
Contributions, Gifts and Donations	100,213	\$40,000			140,213
Miscellaneous Receipts	17,828				17,828
	<u>3,047,457</u>	<u>40,000</u>			<u>3,087,457</u>
Cash Disbursements:					
Current:					
Salaries	1,447,157				1,447,157
Employee Fringe Benefits	311,654				311,654
Purchased and Contracted Services	365,027				365,027
Library Materials and Information	542,319				542,319
Supplies	68,060				68,060
Other Objects	20,140				20,140
Capital Outlay	131,256				131,256
	<u>2,885,613</u>				<u>2,885,613</u>
Total Cash Receipts Over Cash Disbursements	<u>161,844</u>	<u>40,000</u>			<u>201,844</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		52,385		23,148	75,533
Transfers-Out	(75,533)				(75,533)
	<u>(75,533)</u>	<u>52,385</u>		<u>23,148</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	86,311	92,385		23,148	201,844
Fund Cash Balances, January 1	589,900	217,293	25	482,587	1,289,805
Fund Cash Balances, December 31	<u>\$676,211</u>	<u>\$309,678</u>	<u>\$25</u>	<u>\$505,735</u>	<u>\$1,491,649</u>
Reserves for Encumbrances, December 31	<u>\$365,202</u>				<u>\$365,202</u>

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

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Agency Fund
Operating Cash Receipts:	
Library and Local Government Support	\$237,085
Earnings on Investments	10,379
Miscellaneous Receipts	1,509
	248,973
Operating Cash Disbursements:	
Current:	
Salaries	2,287
Employee Fringe Benefits	315
Purchased and Contracted Services	110,835
Library Materials and Information	31,033
Supplies	2,261
Capital Outlay	3,821
	150,552
Total Operating Cash Disbursements	150,552
Operating Income	98,421
Transfers-In	100,000
Transfers-Out	(100,000)
	98,421
Net Receipts Over Disbursements	98,421
Fund Cash Balances, January 1	253,204
	253,204
Fund Cash Balances, December 31	\$351,625
Reserves for Encumbrances, December 31	\$36,009

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

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Portage County District Library, Portage 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 the State of Ohio. The Library is a county district public library established pursuant to Section 3375.19 of the Ohio Revised Code.

The Library is directed by a seven-member Board of Trustees, four who are appointed by the Portage County Commissioners and three who are appointed by the Portage County Common Pleas Court. The Library provides the community with various educational and literary resources.

Located in Garrettsville, Ohio, the Library is the main office and administrative headquarters for the following branch libraries: Aurora Public Library, Streetsboro Library, Randolph Library, Windham Library, and Brimfield Library. The Library also operates a bookmobile as a way to offer library services to the public in an accessible manner.

The Library is associated with the Portage Library Consortium, which was formed in 1990 by an agreement between the Portage County District Library, Kent Free Library, and Reed Memorial Library and is defined as a jointly governed organization. (See Note 7). The Library acts as the fiscal agent for the consortium.

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.

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 investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Library Services and Technology Act (LSTA) Grant Fund – The Library received a state grant for staff development, training and innovative use of technology.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Library had the following significant Debt Service Fund:

Second National Bank Loan Fund - This is a line of credit that is used to manage any short term cash flow problems.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant capital project fund:

The Portage County District Library Automated Circulation System Fund – This fund is used to account for computers purchases and automation at the library.

5. Fiduciary Funds (Agency Funds)

Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant fiduciary funds:

The Library acts as the fiscal agent for the Portage Library Consortium (PLC) and uses a PLC General Fund and a PLC Circulation Fund.

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 level of control.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$420,000	\$535,890
Certificates of deposit	550,000	700,000
Total deposits	970,000	1,235,890
 STAR Ohio	 615,858	 607,384
Total investments	615,858	607,384
Total deposits and investments	\$1,585,858	\$1,843,274

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Library.

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	\$3,359,744	\$3,207,512	\$152,232
Special Revenue	419,608	151,319	268,289
Debt Service	25	25	0
Capital Projects	505,735	92,351	413,384
Fiduciary	571,071	492,905	78,166
Total	\$4,856,183	\$3,944,112	\$912,071

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,598,662	\$3,326,348	\$272,314
Special Revenue	408,676	0	408,676
Debt Service	25	0	25
Capital Projects	482,587	0	482,587
Fiduciary	490,099	286,561	203,538
Total	\$4,980,049	\$3,612,909	\$1,367,140

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.

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.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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

**PORTAGE COUNTY DISTRICT LIBRARY
PORTAGE COUNTY**

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

7. JOINTLY GOVERNED ORGANIZATION

The Portage Library Consortium (PLC) authorized under Ohio Revised Code Section 3375.403 consists of the Portage County District, Kent Free Library, and Reed Memorial libraries. The purpose of the consortium is to provide better services at reduced costs to each member through collective efforts and resource sharing. The PLC is governed by a Council comprised of two trustees from each member library. Member libraries are entitled to a single vote. Council controls the budget and all financial concerns. The three libraries allocate 1.3% of State Library and Local Government Support Fund (LLGSF) for a total 3.9% allocation of revenue. The Portage County District Library acts as the fiscal agent for the consortium.

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**Auditor of State
Betty Montgomery**

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

Portage County District Library
Portage County
10482 South Street
Garrettsville, Ohio

To the Board of Trustees:

We have audited the accompanying financial statements of the Portage County District Library (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 30, 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. 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 one matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 30, 2003.

Portage County District 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 audit committee, management, and the 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

May 30, 2003



**Auditor of State
Betty Montgomery**

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PORTAGE COUNTY DISTRICT 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
JULY 8, 2003**