



Mary Taylor, CPA
Auditor of State

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

Kinsman Free Public Library
Trumbull County
6420 Church Street
Kinsman, Ohio 44428

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

June 15, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Kinsman Free Public Library
Trumbull County
6420 Church Street
Kinsman, Ohio 44428

To the Board of Trustees:

We have audited the accompanying financial statements of Kinsman Free Public Library, Trumbull County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Kinsman Free Public Library, Trumbull County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

June 15, 2007

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDING DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:				
Library and Local Government Support	\$598,544			\$598,544
Patrons Fines and Fees	22,659			22,659
Contributions, Gifts and Donations	4,770			4,770
Earnings on Investments	5,460	\$8,061	\$571	14,092
Miscellaneous	2,180			2,180
Total Cash Receipts	<u>633,613</u>	<u>8,061</u>	<u>571</u>	<u>642,245</u>
Cash Disbursements:				
Current:				
Salaries	293,239			293,239
Employee Fringe Benefits	87,239			87,239
Purchased and Contracted Services	65,203			65,203
Library Materials and Information	103,119			103,119
Supplies	20,652			20,652
Other	6,031			6,031
Capital Outlay	17,420	10,628		28,048
Total Cash Disbursements	<u>592,903</u>	<u>10,628</u>	<u>0</u>	<u>603,531</u>
Total Receipts Over/(Under) Disbursements	<u>40,710</u>	<u>(2,567)</u>	<u>571</u>	<u>38,714</u>
Other Financing (Disbursements):				
Other Financing Uses			(475)	(475)
Total Other Financing (Disbursements)	<u>0</u>	<u>0</u>	<u>(475)</u>	<u>(475)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	40,710	(2,567)	96	38,239
Fund Cash Balance, January 1, 2005	161,532	251,704	19,890	433,126
Fund Cash Balance, December 31, 2005	<u>\$202,242</u>	<u>\$249,137</u>	<u>\$19,986</u>	<u>\$471,365</u>

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDING DECEMBER 31, 2004**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
		Capital Capital	Expendable Trust	
Cash Receipts:				
Library and Local Government Support	\$595,273			\$595,273
Patrons Fines and Fees	25,400			25,400
Contributions, Gifts and Donations	4,828			4,828
Earnings on Investments	4,508	\$1,217	\$5	5,730
Miscellaneous	2,499			2,499
Total Cash Receipts	632,508	1,217	5	633,730
Cash Disbursements:				
Current:				
Salaries	274,466			274,466
Employee Fringe Benefits	81,071			81,071
Purchased and Contracted Services	66,186			66,186
Library Materials and Information	111,632			111,632
Supplies	18,659			18,659
Other	5,847			5,847
Capital Outlay	71,802			71,802
Total Cash Disbursements	629,663	0	0	629,663
Total Receipts Over/(Under) Disbursements	2,845	1,217	5	4,067
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets	2,830			2,830
Transfers-In		145,000		145,000
Transfers-Out	(145,000)			(145,000)
Total Other Financing Receipts/(Disbursements)	(142,170)	145,000	0	2,830
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(139,325)	146,217	5	6,897
Fund Cash Balance, January 1, 2004	300,857	105,487	375	406,719
Fund Cash Balance, December 31, 2004	\$161,532	\$251,704	\$380	\$413,616
Reserve for Encumbrances, December 31, 2004	\$2,231	\$0	\$0	\$2,231

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

KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDING DECEMBER 31, 2004

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust</u>
Cash Receipts:	
Earnings on Investments	\$468
Total Cash Receipts	468
Other Financing (Disbursements):	
Other Financing Uses	(475)
Total Other Financing (Disbursements)	(475)
Excess of Cash Receipts Over Other Financing Disbursements	(7)
Fund Cash Balance, January 1, 2004	19,517
Fund Cash Balance, December 31, 2004	<u><u>\$19,510</u></u>

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Kinsman Free 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 the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Joseph Badger Local School District. 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money Markey mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing of major capital projects (except those financed through trust funds). The Library had one capital projects fund used to account for capital improvements.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. Accounts for trust arrangements under which principal and income from the trust may only be used for the benefit of those individuals, private organizations, or other governments are private purpose trust funds. Those agreements that require the Library to maintain the corpus of the trust were classified as nonexpendable trust funds in 2004 and as private purpose trust funds in 2005. Another trust fund was classified as an expendable trust fund in 2004 and as a private purpose trust fund in 2005. The Library had the following significant fiduciary funds:

Marilyn Vogel Trust Fund – This fund is a \$1,000 nonexpendable trust fund that receives additional donations each year to be used for children’s room purchases.

Ernest L. Scott Trust Fund – This fund is a \$5,000 nonexpendable trust fund to be expended every two years for a scholarship to a Joseph Badger School District student.

Dr. Bruce T. Riley Fund – This fund is a \$5,000 nonexpendable trust fund to be expended for a scholarship to a Joseph Badger School District senior who plans to attend college with a major in English.

Kinsman Free Public Library Staff Educational Fund – This fund is an expendable trust fund used to assist staff members on furthering their education.

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 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 was as follows:

	2005	2004
Demand Deposits	\$78,921	\$111,943
Certificates of Deposit	321,279	311,873
Total Deposits	400,200	423,816
STAR Ohio	71,165	9,310
Total Investments	71,165	9,310
Total Deposits and Investments	\$471,365	\$433,126

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity risk 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, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$655,389	\$633,613	(\$21,776)
Capital Projects	4,000	8,061	4,061
Fiduciary	570	571	1
Total	\$659,959	\$642,245	(\$17,714)

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$657,620	\$592,903	\$64,717
Capital Projects	11,000	10,628	372
Private Purpose Trusts	1,200	475	725
Totals	\$669,820	\$604,006	\$65,814

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$629,587	\$635,338	\$5,751
Capital Projects	3,000	146,217	143,217
Fiduciary	725	473	(252)
Total	\$633,312	\$782,028	\$148,716

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$815,713	\$776,894	\$38,819
Capital Projects	0	0	0
Fiduciary	900	475	425
Totals	\$816,613	\$777,369	\$39,244

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 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 any additional revenues the Library receives.

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state-operated, cost-sharing, multiple-employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. RETIREMENT SYSTEM - (Continued)

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS 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, 2005.

6. RISK MANAGEMENT

Commercial Insurance

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

- Commercial property coverage and general liability;
- Employer's liability;
- Commercial auto coverage (liability);
- Commercial inland marine coverage;
- Boiler and machinery coverage.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Kinsman Free Public Library
Trumbull County
6420 Church Street
Kinsman, Ohio 44428

To the Board of Trustees:

We have audited the financial statements of the Kinsman Free Public Library, Trumbull County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 15, 2007, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our audit procedures to express our opinion on the financial statements, and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 15, 2007



Mary Taylor, CPA
Auditor of State

KINSMAN FREE 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
JULY 12, 2007**