



**Auditor of State  
Betty Montgomery**



KENT FREE LIBRARY  
PORTAGE COUNTY

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**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS**

Kent Free Library  
Portage County  
312 West Main Street  
Kent, Ohio 44240

To the Board of Trustees:

We have audited the accompanying financial statements of the Kent Free 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 reserve 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 March 21, 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.

Kent Free Library  
Portage County  
Report of Independent Accountants  
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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

March 21, 2003

**KENT FREE 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Library and Local Government Support	\$1,625,793		\$1,625,793
Patron Fines and Fees	33,365		33,365
Earnings on Investments	49,229		49,229
Contributions, Gifts and Donations	54		54
Miscellaneous Receipts	4,044		4,044
	<u>1,712,485</u>	<u>0</u>	<u>1,712,485</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	752,780		752,780
Purchased and Contracted Services	162,324		162,324
Supplies	54,342		54,342
Library Materials and Information	354,792		354,792
Capital Outlay	61,216		61,216
Other Objects	11,691		11,691
	<u>1,397,145</u>	<u>0</u>	<u>1,397,145</u>
<b>Total Cash Disbursements</b>			
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>315,340</u>	<u>0</u>	<u>315,340</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		121,262	121,262
Transfers-Out	(121,262)		(121,262)
	<u>(121,262)</u>	<u>121,262</u>	<u>0</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<b>194,078</b>	<b>121,262</b>	<b>315,340</b>
<b>Fund Cash Balances, January 1</b>	<u>1,119,045</u>	<u>1,663,233</u>	<u>2,782,278</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,313,123</b></u>	<u><b>\$1,784,495</b></u>	<u><b>\$3,097,618</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$826,937</b></u>	<u><b>\$826,937</b></u>	<u><b>\$826,937</b></u>

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

KENT FREE LIBRARY  
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>\$14,883</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$14,883</u></u></b>

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



**KENT FREE 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>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Library and Local Government Support	\$1,762,985		\$1,762,985
Patron Fines and Fees	32,854		32,854
Earnings on Investments	164,835		164,835
Contributions, Gifts and Donations	120		120
Miscellaneous Receipts	25,445		25,445
<b>Total Cash Receipts</b>	<u>1,986,239</u>	<u>0</u>	<u>1,986,239</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	733,606		733,606
Purchased and Contracted Services	166,054		166,054
Supplies	40,592		40,592
Library Materials and Information	370,924		370,924
Capital Outlay	91,051		91,051
Other Objects	21,298		21,298
<b>Total Cash Disbursements</b>	<u>1,423,525</u>	<u>0</u>	<u>1,423,525</u>
<b>Total Cash Receipts Over Cash Disbursements</b>	<u>562,714</u>	<u>0</u>	<u>562,714</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		\$309,044	309,044
Transfers-Out	(309,044)		(309,044)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(309,044)</u>	<u>309,044</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	253,670	309,044	562,714
Fund Cash Balances, January 1	<u>865,375</u>	<u>1,354,189</u>	<u>2,219,564</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,119,045</b></u>	<u><b>\$1,663,233</b></u>	<u><b>\$2,782,278</b></u>
Reserves for Encumbrances, December 31	<u><u>\$668,450</u></u>	<u><u></u></u>	<u><u>\$668,450</u></u>

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

KENT FREE LIBRARY  
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>\$14,883</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$14,883</u></u></b>

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

**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Kent Free 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 Ohio. The Library is directed by a seven member Board of Trustees appointed by the Kent City School Board. 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 and U.S. Treasury Notes are valued at cost. U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the library's financial institution. The investment in Star Ohio (the 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. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following significant capital project funds:

**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

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

*The Building and Repair Fund* – This fund is used to account for capital improvements to the library.

*The Automation Fund* – This fund is used to account for computers purchases and automation at the library.

**3. Fiduciary Fund (Trust Fund)**

A Trust fund is used to account for resources restricted by a legally binding trust agreement. The Library has one non-expendable trust fund, Kent Trust Fund, with an agreement which requires the Library to maintain the corpus of the trust.

**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.

**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	\$172,618	\$332,278
Certificates of deposit	2,545,000	2,420,000
Total deposits	2,717,618	2,752,278
U.S. Treasury Notes	14,883	14,883
STAR Ohio	380,000	30,000
Total investments	394,883	44,883
Total deposits and investments	\$3,112,501	\$2,797,161

**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

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

**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:** U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. 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	\$2,041,818	\$2,345,344	(\$303,526)
Capital Projects	1,784,495	0	1,784,495
Fiduciary	14,883	0	14,883
Total	<u>\$3,841,196</u>	<u>\$2,345,344</u>	<u>\$1,495,852</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,973,994	\$2,401,019	(\$427,025)
Capital Projects	1,663,233	0	1,663,233
Fiduciary	14,883	0	14,883
Total	<u>\$3,652,110</u>	<u>\$2,401,019</u>	<u>\$1,251,091</u>

The library is in violation of OAC 117-8-02, since the total of their expenditures plus encumbrances exceeds the appropriation authority for the general fund in both 2001 and 2002.

**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.

**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

**5. RETIREMENT SYSTEM (Continued)**

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 to full-time employees through a private carrier.



**Auditor of State  
Betty Montgomery**

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

Kent Free Library  
Portage County  
312 West Main Street  
Kent, Ohio 44240

To the Board of Trustees:

We have audited the accompanying financial statements of the Kent Free Library (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 21, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-01167-001.

**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.

Kent Free 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 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

March 21, 2003



**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

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

<b><i>Finding Number</i></b>	<b>2002-01167-001</b>
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**Noncompliance Citation**

The Ohio Administrative Code 117-8-02 states the library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the fund level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

At the Kent Free Library, the sum of the library's expenditures plus their encumbrances exceeds their appropriation authority in the general fund by \$303,526 in 2002, and \$427,025 in 2001. The following chart summarizes the violation:

General Fund 2002:		
Appropriation	Expenditures	
	plus	
<u>Authority</u>	<u>Encumbrances</u>	<u>Variance</u>
\$2,041,818	\$2,345,344	(\$303,526)
General Fund 2001:		
Appropriation	Expenditures	
	plus	
<u>Authority</u>	<u>Encumbrances</u>	<u>Variance</u>
\$1,973,994	\$2,401,019	(\$427,025)

We recommend the Library closely monitor expenditures, encumbrances, and appropriations. If the Library chooses to present encumbrances on their financial statements, then they need to include them in their appropriations. Implementation may help increase the Library's budgetary controls.

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**KENT FREE LIBRARY  
PORTAGE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-01167-001	Overpayment to Director/Clerk repaid during the audit	Yes	

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-01167-002	Segregation of Duties – Clerk and Director are the same person	No	Because of other compensating controls and the awareness of the Board, this does not present itself as being a significant issue.





**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**KENT FREE 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  
MAY 20, 2003**