



**Auditor of State
Betty Montgomery**

**KENT FREE LIBRARY
PORTAGE COUNTY**

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**Auditor of State
Betty Montgomery**

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

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 28, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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 Kent Free Library, Portage County, (the Library) as of and for the years ended December 31, 2004 and 2003. 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. 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 year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year 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 Kent Free Library, Portage County, as of December 31, 2004 and 2003, 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 year ended December 31, 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 November 28, 2005, 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.



Betty Montgomery
Auditor of State

November 28, 2005

**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Library and Local Government Support	\$1,619,030		\$1,619,030
Patron Fines and Fees	23,225		23,225
Earnings on Investments	40,927	152,096	193,023
Contributions, Gifts and Donations	61		61
Miscellaneous Receipts	2,313		2,313
	<u>1,685,556</u>	<u>152,096</u>	<u>1,837,652</u>
Total Cash Receipts			
	<u>1,685,556</u>	<u>152,096</u>	<u>1,837,652</u>
Cash Disbursements:			
Current:			
Salaries	658,821		658,821
Employee Fringe Benefits	126,317		126,317
Purchased and Contracted Services	175,460	909,101	1,084,561
Library Materials and Information	271,021		271,021
Supplies	44,111		44,111
Other	19,069		19,069
Interest Payments and Other Financing Fees and Costs			0
Capital Outlay	49,714		49,714
	<u>1,344,513</u>	<u>909,101</u>	<u>2,253,614</u>
Total Cash Disbursements			
	<u>1,344,513</u>	<u>909,101</u>	<u>2,253,614</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>341,043</u>	<u>(757,005)</u>	<u>(415,962)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		317,632	317,632
Transfers-Out	(317,632)		(317,632)
	<u>(317,632)</u>	<u>317,632</u>	<u></u>
Total Other Financing Receipts/(Disbursements)			
	<u>(317,632)</u>	<u>317,632</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>23,411</u>	<u>(439,373)</u>	<u>(415,962)</u>
Fund Cash Balances, January 1	<u>1,178,243</u>	<u>15,455,966</u>	<u>16,634,209</u>
Fund Cash Balances, December 31	<u><u>\$1,201,654</u></u>	<u><u>\$15,016,593</u></u>	<u><u>\$16,218,247</u></u>
Reserves for Encumbrances, December 31	<u><u>\$697,787</u></u>	<u><u>\$93,314</u></u>	<u><u>\$791,101</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, 2004

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Patron Fees and Fines	\$0
Earnings on Investments	<u>\$463</u>
Total Operating Cash Receipts	<u>463</u>
Operating Income	<u>463</u>
Fund Cash Balances, January 1	<u>25,138</u>
Fund Cash Balances, December 31	<u><u>\$25,601</u></u>

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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Library and Local Government Support	\$1,608,963		\$1,608,963
Intergovernmental		\$13,500,000	13,500,000
Patron Fines and Fees	27,574		27,574
Earnings on Investments	52,068		52,068
Contributions, Gifts and Donations	20,161		20,161
Miscellaneous Receipts	3,823		3,823
	<u>1,712,589</u>	<u>13,500,000</u>	<u>15,212,589</u>
Cash Disbursements:			
Current:			
Salaries	614,927		614,927
Employee Fringe Benefits	115,544		115,544
Purchased and Contracted Services	468,229		468,229
Library Materials and Information	302,539		302,539
Supplies	62,371		62,371
Other	24,167		24,167
Capital Outlay	88,221		88,221
	<u>1,675,998</u>		<u>1,675,998</u>
Total Cash Disbursements	<u>1,675,998</u>		<u>1,675,998</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>36,591</u>	<u>13,500,000</u>	<u>13,536,591</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		171,471	171,471
Transfers-Out	(171,471)		(171,471)
	<u>(171,471)</u>	<u>171,471</u>	
Total Other Financing Receipts/(Disbursements)	<u>(171,471)</u>	<u>171,471</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(134,880)	13,671,471	13,536,591
Fund Cash Balances, January 1	<u>1,313,123</u>	<u>1,784,495</u>	<u>3,097,618</u>
Fund Cash Balances, December 31	<u>\$1,178,243</u>	<u>\$15,455,966</u>	<u>\$16,634,209</u>
Reserves for Encumbrances, December 31	<u>\$692,057</u>	<u>\$0</u>	<u>\$692,057</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, 2003

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$10,255</u>
Total Operating Cash Receipts	<u>10,255</u>
Operating Income	<u>10,255</u>
Fund Cash Balances, January 1	<u>14,883</u>
Fund Cash Balances, December 31	<u><u>\$25,138</u></u>

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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Kent Free Library, Portage County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees appointed by the Kent City School Board. The Library is a member of the Portage Library Consortium (see Note 8). 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. Money market 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 Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Construction Fund – This fund is used to account for the construction of the new library.

**KENT FREE LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Fund (Trust Fund)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library has one nonexpendable trust fund, Kent Trust Fund.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the function level of control.

A summary of 2004 and 2003 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2004	2003
Demand deposits	\$315,221	\$13,897,541
Certificates of deposit	3,048,412	2,370,138
Total deposits	<u>3,363,633</u>	<u>16,267,679</u>
STAR Ohio	12,880,215	391,668
Total investments	<u>12,880,215</u>	<u>391,668</u>
Total deposits and investments	<u>\$16,243,848</u>	<u>\$16,659,347</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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

**KENT FREE LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,367,924	\$1,685,556	\$317,632
Capital Projects	469,728	469,728	0
Fiduciary	463	463	0
Total	\$1,838,115	\$2,155,747	\$317,632

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,546,167	\$2,359,932	\$186,235
Capital Projects	15,016,593	1,002,415	14,014,178
Fiduciary	22,601	0	22,601
Total	\$17,585,361	\$3,362,347	\$14,223,014

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,541,118	\$1,712,589	\$171,471
Capital Projects	13,671,470	13,671,471	1
Fiduciary	10,255	10,255	0
Total	\$15,222,843	\$15,394,315	\$171,472

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,854,241	\$2,539,526	\$314,715
Capital Projects	15,455,965	0	15,455,965
Fiduciary	22,138	0	22,138
Total	\$18,332,344	\$2,539,526	\$15,792,818

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF 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.

**KENT FREE LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

The Library had debt issued on their behalf by the taxing authority, Kent City School District in 2003. The Kent City School District issued Library Bond Anticipation Notes and Library Bonds in 2003 for \$13,500,000. The Library Bond proceeds were used to retire the anticipation notes. The debt is a liability of the taxing authority. The Library has no contingent obligation for repayment.

6. 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.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

7. 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.

8. JOINTLY GOVERNED ORGANIZATION

The Portage Library Consortium (PLC) authorized under Ohio Revised Code Section 3375.403 consists of the Portage County District Library, Kent Free Library, and Reed Memorial Library. 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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 financial statements of the Kent Free Library, Portage County, (the Library) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 28, 2005, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 auditing 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. In a separate letter to the Library's management dated November 28, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Library's management dated November 28, 2005, we reported an other matter related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Kent Free Library
Portage County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for 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

November 28, 2005

KENT FREE LIBRARY
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-01167-001	OAC 117-8-02- Expenditures plus encumbrances exceeded appropriations in both 2002 and 2001.	Yes	



**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

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
DECEMBER 30, 2005**