

***REED MEMORIAL LIBRARY
PORTAGE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Reed Memorial Library
167 E. Main Street
Ravenna, Ohio 44266

We have reviewed the *Report of Independent Accountants* of the Reed Memorial Library, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Reed Memorial Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 27, 2007

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**REED MEMORIAL LIBRARY
AUDIT REPORT
PORTAGE COUNTY, OHIO
For the Years Ended December 31, 2006 and 2005**

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Rockefeller Building
614 West Superior Avenue #1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the accompanying financial statements of the Reed Memorial Library, Portage County (the Library), as of and for the years ended December 31, 2006 and 2005. 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 that 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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the 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 years ended December 31, 2006 and 2005, 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, 2006 and 2005, 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 the Library, as of December 31, 2006 and 2005, and its cash receipts and disbursements and changes in fund cash balances 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, 2006 and 2005. 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 August 24, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.

August 24, 2007

REED MEMORIAL LIBRARY
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	Total
Receipts:					
Property and Other Local Taxes	\$ 488,827	-	-	-	\$ 488,827
Library and Local Government Support	1,079,260	-	-	-	1,079,260
Intergovernmental	43,270	-	-	-	43,270
Patron Fines and Fees	22,491	-	-	-	22,491
Services Provided Other Entities	1,215	-	-	-	1,215
Earnings on Investments	48,931	\$ 30,126	\$ 37,361	\$ 73	116,491
Contributions, Gifts and Donations	3,304	18,469	17,600	-	39,373
Miscellaneous	6,062	17,033	-	-	23,095
Total Receipts	1,693,360	65,628	54,961	73	1,814,022
Disbursements:					
Current:					
Salaries	644,455	-	-	-	644,455
Employee Fringe Benefits	180,565	-	-	-	180,565
Purchased and Contracted Services	161,029	96,517	20,415	-	277,961
Library Materials and Information	215,396	612	-	37	216,045
Supplies	29,457	-	43,875	-	73,332
Other	4,923	6,000	1,243	-	12,166
Capital Outlay	19,028	181,290	790,807	-	991,125
Debt Service:					
Principal	100,000	-	-	-	100,000
Interest	235,355	-	-	-	235,355
Total Cash Disbursements	1,590,208	284,419	856,340	37	2,731,004
Excess of Receipts Over/(Under) Disbursements	103,152	(218,791)	(801,379)	36	(916,982)
Other Financing Sources/(Uses):					
Sale of Fixed Assets	43	-	-	-	43
Transfers-In	-	5,000	-	-	5,000
Transfers-Out	(5,000)	-	-	-	(5,000)
Other Financing Sources	4,001	(20)	-	-	3,981
Total Other Financing Sources/(Uses)	(956)	4,980	-	-	4,024
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	102,196	(213,811)	(801,379)	36	(912,958)
Fund Balance January 1, 2006 (restated, Note 9)	641,945	860,557	1,548,395	1,538	3,052,435
Fund Balance December 31, 2006	\$ 744,141	\$ 646,746	\$ 747,016	\$ 1,574	\$ 2,139,477
Reserve for Encumbrances, December 31, 2006	\$ 20,580	\$ 143,461	\$ 166,474	\$ -	\$ 330,515

See accompanying Notes to the Financial Statements.

REED MEMORIAL LIBRARY
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2005

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent Fund	
Receipts:					
Property and Other Local Taxes	\$ 475,425	-	-	-	\$ 475,425
Library and Local Government Support	1,079,260	-	-	-	1,079,260
Intergovernmental	50,125	-	-	-	50,125
Patron Fines and Fees	12,449	-	-	-	12,449
Earnings on Investments	25,119	\$ 49,042	\$ 72,429	\$ 37	146,627
Contributions, Gifts and Donations	8,382	-	5,190	-	13,572
Miscellaneous	26,060	-	950	-	27,010
Total Receipts	1,676,820	49,042	78,569	37	1,804,468
Disbursements:					
Current:					
Salaries	611,124	-	-	-	611,124
Employee Fringe Benefits	166,688	-	-	-	166,688
Purchased and Contracted Services	134,764	53,276	288,367	-	476,407
Library Materials and Information	226,506	434	-	26	226,966
Supplies	25,773	-	43,875	-	69,648
Other	1,309	4,275	-	-	5,584
Capital Outlay	7,518	1,277,913	2,005,522	-	3,290,953
Debt Service:					
Principal	95,000	-	-	-	95,000
Interest	237,255	-	-	-	237,255
Total Cash Disbursements	1,505,937	1,335,898	2,337,764	26	5,179,625
Excess of Receipts Over/(Under) Disbursements	170,883	(1,286,856)	(2,259,195)	11	(3,375,157)
Other Financing Sources/(Uses):					
Other Financing Sources	2,983	-	-	-	2,983
Total Other Financing Sources/(Uses)	2,983	-	-	-	2,983
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	173,866	(1,286,856)	(2,259,195)	11	(3,372,174)
Fund Balance January 1, 2005 (restated, Note 9)	468,052	2,147,413	3,807,590	1,527	6,424,582
Fund Balance December 31, 2005	\$ 641,918	\$ 860,557	\$ 1,548,395	\$ 1,538	\$ 3,052,408
Reserve for Encumbrances, December 31, 2005	\$ 3,514	\$ 501,380	\$ 296,508	\$ -	\$ 801,402

See accompanying Notes to the Financial Statements.

REED MEMORIAL LIBRARY
PORTAGE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
For the Year Ended December 31, 2005

	Proprietary Fund Type
	Enterprise
Operating Disbursements:	
Purchased and Contractual Services	\$ 6,799
Total Operating Disbursements	6,799
Excess Operating Receipts Over/(Under) Operating Disbursements	(6,799)
Fund Balance January 1, 2005	\$ 6,799
Fund Balance December 31, 2005	\$ -

See accompanying Notes to the Financial Statements.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Reed Memorial 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 Ravenna 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:

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

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

2. Special Revenue Funds

These funds 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 funds:

E. Dietrich Fund – This fund is used to account for donations from the Dietrich family to be used for the Library’s Children’s Section.

Mae Reed Waller Fund- This fund is used to account for construction and renovation projects the Library may wish to perform.

Gilson Fund- This fund is for unrestricted general library use. The Board had designated this fund to be used for the building project.

3. 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 funds:

Building & Repair Fund – This fund is used to account for expansion, maintenance, repair or renovation of the Library’s buildings.

Building Project Fund – This fund is used to account for construction costs of the addition and alteration project of the Library.

4. Permanent Fund

Permanent 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 permanent fund. The Library has one permanent fund, Gilbert/Short Trust Fund.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level of control.

A summary of 2006 and 2005 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:

	2006	2005
Demand deposit	\$ 920,998	\$ 802,589
Certificates of deposit	500,000	750,000
Total deposits	1,420,998	1,552,589
STAR Ohio	710,734	676,919
Huntington Bond Account	7,745	822,900
Total deposits and investments	\$ 2,139,477	\$ 3,052,408

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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,650,852	\$ 1,697,404	\$ 46,552
Special Revenue	520,061	70,628	(449,433)
Capital Projects	36,000	54,961	18,961
Permanent	50	73	23
Total	\$ 2,206,963	\$ 1,823,066	\$ (383,897)

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,674,367	\$ 1,615,788	\$ 58,579
Special Revenue	1,355,249	427,900	927,349
Capital Projects	1,559,375	1,022,814	536,561
Permanent Fund	37	37	-
Total	\$ 4,589,028	\$ 3,066,539	\$ 1,522,489

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,628,795	\$ 1,679,803	\$ 51,008
Special Revenue	21,325	49,402	28,077
Capital Projects	41,600	78,569	36,969
Permanent	5	37	32
Enterprise	-	-	-
Total	\$ 1,691,725	\$ 1,807,811	\$ 116,086

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,106,535	\$ 1,509,451	\$ 597,084
Special Revenue	2,135,682	1,837,278	298,404
Capital Projects	3,722,316	2,634,272	1,088,044
Permanent	26	26	-
Enterprise	6,799	6,799	-
Total	\$ 7,971,358	\$ 5,987,826	\$ 1,983,532

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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

5. DEBT

In 2003, the Library entered into a 30 year lease agreement with the City of Ravenna in accordance with Ohio Revised Code Section 721.22. The lease payments are for the Library property and renovation acquired with proceeds of \$5,350,000 Library Improvement bonds issued by the City of Ravenna maturing December 31, 2033. The lease payments are based upon the bond payment requirements and are supported by a voter approved tax levy.

Amortization of the above debt, including interest, is as follows:

Year Ending December 31:	Principal	Interest	Total
2007	\$ 100,000	\$ 233,355	\$ 333,355
2008	100,000	231,355	331,355
2009	105,000	228,905	333,905
2010	105,000	226,018	331,018
2011	110,000	222,763	332,763
2012-2016	625,000	1,046,687	1,671,687
2017-2021	760,000	903,160	1,663,160
2022-2026	955,000	704,900	1,659,900
2027-2031	1,220,000	441,750	1,661,750
2032-2033	1,010,000	87,400	1,097,400
Total	<u>\$ 5,090,000</u>	<u>\$ 4,326,293</u>	<u>\$ 9,416,293</u>

The amortization schedule in the previous audit was found to have been misstated.

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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

6. RETIREMENT SYSTEM (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, the Library's OPERS members contributed 9.0 and 8.5 percent of their gross salaries, respectively. The Library contributed an amount equal to 13.70 and 13.55 percent of participants' gross salaries, for each year. The Library has paid all contributions required through December 31, 2006.

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.

Settled claims have not exceeded this commercial coverage in any of the last three years. The Library has not reduced coverages from last year.

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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

9. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE

An adjustment resulted in the restatement of the beginning of the year fund balance in the general fund. Warrants issued by the Library in 2004 (the prior audit period) were subsequently voided in 2005. The check amounts were added back to the beginning balance. In addition, it had been the practice of the Library to deposit escrow monies due contractors into separate bank accounts and then expense the funds off the Library's books. In the prior audit for the years 2003 and 2004, an adjustment was made to return these funds to the Library's books in the Capital Projects Funds. The Library was also informed to make an adjustment in the year 2005 to correct this matter. The table below presents the adjustments and the resulting effect on the fund balance:

		General Fund
Fund Balance as of December 31, 2004	\$	467,474
Add: FY 2004 warrants voided in FY 2005		578
Restated Amounts January 1, 2005	\$	468,052

		Capital Projects
Fund Balance as December 31, 2004	\$	3,751,935
Add: Escrow payments		55,655
Restate Amounts January 1, 2005	\$	3,807,590

An adjustment resulted in the restatement of the beginning of the year fund balance in the General Fund. Warrants issued by the Library in 2005 were subsequently voided in 2006 and the amounts were added back to the beginning balance. The restatement is listed below:

		General Fund
Fund Balance as of December 31, 2005	\$	641,918
Add: FY 2005 warrants voided in FY 2006		27
Restated Amounts January 1, 2006	\$	641,945

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

9. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE – (continued)

The Library previously reported its Gilson Trust Fund and Brown Trust Fund in the Expendable Trust category. Auditor of State Audit Bulletin 2005-005 required the Library to reclassify its Expendable Trust Funds as Special Revenue Funds. The restatement is listed below:

	Special Revenue Funds		Expendable Trust
December 31, 2004 Fund			
Balance as previously reported	\$ 5,033	\$	2,142,380
Prior Period Adjustment	2,142,380	_____	(2,142,380)
January 1, 2005 Fund Balance as restated	\$ 2,147,413	_____	\$ -
	_____	_____	_____

Auditor of State Audit Bulletin 2005-005 also required that Non-Expendable Trust Funds be reclassified as Permanent Funds. The restatement is listed below.

	Permanent Fund		Non-Expendable Trust
December 31, 2004 Fund			
Balance as previously reported	\$ -	\$	1,527
Prior Period Adjustment	1,527	_____	(1,527)
January 1, 2005 Fund Balance as restated	\$ 1,527	_____	\$ -
	_____	_____	_____

9. CONTINGENT LIABILITIES

On October 18, 2004, the Library received a claim from Hummel Construction for delay damages in relation to the Library's Alteration and Addition project. The Board of Trustees is of the opinion that the ultimate disposition of this claim is reasonably possible, and the financial impact, if any, is undetermined at this time.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited the financial statements of the Reed Memorial Library, Portage County, Ohio (Library) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 24, 2007, wherein we noted the Library followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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, grants agreements and other matters, 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*.

We noted certain matters that we have reported to management of the Library in a separate letter dated August 24, 2007.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

August 24, 2007

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the two years ending December 31, 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

REED MEMORIAL 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
OCTOBER 9, 2007