

***KENT FREE LIBRARY  
PORTAGE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009***

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





# Dave Yost • Auditor of State

Board of Trustees  
Kent Free Library  
312 West Main Street  
Kent, Ohio 44240

We have reviewed the *Report of Independent Accountants* of the Kent Free Library, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 Kent Free Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 7, 2011

**This Page is Intentionally Left Blank.**

**KENT FREE LIBRARY  
PORTAGE COUNTY, OHIO  
AUDIT REPORT  
For the Years Ended December 31, 2010 and 2009**

**TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2010</b>	<b>3</b>
<b>Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2009</b>	<b>4</b>
<b>Notes to the Financial Statements</b>	<b>5-10</b>
<b>Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>	<b>11-12</b>
<b>Status of Prior Year's Citations and Recommendations</b>	<b>13</b>

**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**

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, Portage County (the Library), as of and for the years ended December 31, 2010 and 2009. 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.

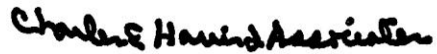
Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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, 2010 and 2009, 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, 2010 and 2009, 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 Kent Free Library, Portage County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management 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 April 11, 2011, 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.*

April 11, 2011

**KENT FREE 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, 2010**

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent	
<b>Receipts:</b>					
Library and Local Government Support	\$ 1,236,863	-	-	-	\$ 1,236,863
Intergovernmental	2,825	-	-	-	2,825
Patron Fines and Fees	38,225	-	-	-	38,225
Earnings on Investments	17,375	\$ 29	-	\$ 12	17,416
Contributions, Gifts and Donations	190	-	-	-	190
Miscellaneous	2,106	-	-	-	2,106
<b>Total Receipts</b>	<b>1,297,584</b>	<b>29</b>	<b>-</b>	<b>12</b>	<b>1,297,625</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Salaries	767,228	-	-	-	767,228
Employee Fringe Benefits	155,608	-	-	-	155,608
Purchased and Contracted Services	250,207	-	30,784	-	280,991
Library Materials and Information	169,075	6,812	-	14,922	190,809
Supplies	29,982	-	-	-	29,982
Other	13,403	-	-	-	13,403
Capital Outlay	13,513	-	18,182	-	31,695
<b>Total Cash Disbursements</b>	<b>1,399,016</b>	<b>6,812</b>	<b>48,966</b>	<b>14,922</b>	<b>1,469,716</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(101,432)</b>	<b>(6,783)</b>	<b>(48,966)</b>	<b>(14,910)</b>	<b>(172,091)</b>
<b>Fund Balance January 1, 2010</b>	<b>1,116,005</b>	<b>39,650</b>	<b>693,026</b>	<b>19,702</b>	<b>1,868,383</b>
<b>Fund Balance December 31, 2010</b>	<b>\$ 1,014,573</b>	<b>\$ 32,867</b>	<b>\$ 644,060</b>	<b>\$ 4,792</b>	<b>\$ 1,696,292</b>
<b>Reserve for Encumbrances, December 31, 2010</b>	<b>\$ 360,145</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 360,145</b>

See accompanying Notes to the Financial Statements.



KENT FREE 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, 2009

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent	
<b>Receipts:</b>					
Library and Local Government Support	\$ 1,316,542	-	-	-	\$ 1,316,542
Intergovernmental	2,825	-	-	-	2,825
Patron Fines and Fees	40,148	-	-	-	40,148
Earnings on Investments	42,899	\$ 45	-	\$ 722	43,666
Contributions, Gifts and Donations	614	-	-	-	614
Miscellaneous	3,738	-	-	-	3,738
<b>Total Receipts</b>	<b>1,406,766</b>	<b>45</b>	<b>-</b>	<b>722</b>	<b>1,407,533</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Salaries	796,647	-	-	-	796,647
Employee Fringe Benefits	159,733	-	-	-	159,733
Purchased and Contracted Services	291,470	-	26,346	-	317,816
Library Materials and Information	168,798	7,712	-	10,984	187,494
Supplies	34,450	-	-	-	34,450
Other	19,251	-	-	-	19,251
Capital Outlay	28,167	-	28,119	-	56,286
<b>Total Cash Disbursements</b>	<b>1,498,516</b>	<b>7,712</b>	<b>54,465</b>	<b>10,984</b>	<b>1,571,677</b>
<b>Excess of Receipts Over/(Under) Disbursements</b>	<b>(91,750)</b>	<b>(7,667)</b>	<b>(54,465)</b>	<b>(10,262)</b>	<b>(164,144)</b>
<b>Fund Balance January 1, 2009</b>	<b>1,207,755</b>	<b>47,317</b>	<b>747,491</b>	<b>29,964</b>	<b>2,032,527</b>
<b>Fund Balance December 31, 2009</b>	<b>\$ 1,116,005</b>	<b>\$ 39,650</b>	<b>\$ 693,026</b>	<b>\$ 19,702</b>	<b>\$ 1,868,383</b>
<b>Reserve for Encumbrances, December 31, 2009</b>	<b>\$ 250,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,456</b>

See accompanying Notes to the Financial Statements.

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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:

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Fund**

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Library had the following significant Special Revenue Fund:

*Solem Bequest Fund* – This fund accounts for expenditures of monies from a bequest for the purpose of purchasing audio materials. The fund will continue to be in existence until all monies have been expended.

**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 fund:

*Construction Fund* – This fund accounts for the construction of the new 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, 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 object level of control.

A summary of 2010 and 2009 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.

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

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

**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:

	<u>2010</u>	<u>2009</u>
Demand deposit	\$ 212,707	\$ 123,212
Certificates of deposit	<u>1,018,266</u>	<u>1,280,348</u>
Total deposits	1,230,973	1,403,560
STAR Ohio	465,319	464,823
Total deposits and investments	<u><u>\$ 1,696,292</u></u>	<u><u>\$ 1,868,383</u></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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

Fund	<u>2010 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,294,758	\$ 1,297,584	\$ 2,826
Special Revenue	-	29	29
Capital Projects	-	-	-
Permanent	-	12	12

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**3. BUDGETARY ACTIVITY (Continued)**

2010 Budgeted vs Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,160,307	\$ 1,759,161	\$ 401,146
Special Revenue	32,867	6,812	26,055
Capital Projects	644,059	48,966	595,093
Permanent	16,512	14,922	1,590

2009 Budgeted vs Actual Receipts			
Fund	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,406,766	\$ 1,406,766	\$ -
Special Revenue	-	45	45
Capital Projects	-	-	-
Permanent	-	722	722

2009 Budgeted vs Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,275,206	\$ 1,748,972	\$ 526,234
Special Revenue	39,651	7,712	31,939
Capital Projects	693,027	54,465	638,562
Permanent	16,702	10,984	5,718

**4. GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangible tax of PLF 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 any additional revenues the Library receives.

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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. For 2010 and 2009, the Library's OPERS members contributed 10% of their gross salaries for each year. The Library contributed an amount equal to 14% of participants' gross salaries, for each year. The Library has paid all contributions required through December 31, 2010.

**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.

**KENT FREE LIBRARY  
PORTAGE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Public Library Fund (PLF) for a total 3.9% allocation of revenue. The Portage County District Library acts as the fiscal agent for the consortium.

**9. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

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, Ohio (the Library) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 11, 2011, wherein we noted the Library followed 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 *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 opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented or detected and timely corrected.

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

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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.



We intend this report solely for the information and use of management, the Board of Trustees and others within the Library. We intend it for no one other than these specified parties.

*Charles E. Harris and Associates*

***Charles E. Harris and Associates, Inc.***

April 11, 2011

**KENT FREE LIBRARY  
PORTAGE COUNTY  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2008 and 2007, reported no material citations or recommendations.



# Dave Yost • Auditor of State

**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  
JULY 19, 2011**