

***REED MEMORIAL 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
Reed Memorial Library
167 East 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, 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 Reed Memorial 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

June 3, 2011

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

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

This Page is Intentionally Left Blank.

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, 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 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.

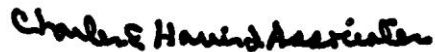
Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. 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, 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 reserve for encumbrances of the Library, as of December 31, 2010 and 2009, 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, 2010 and 2009. 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 April 22, 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 22, 2011

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, 2010

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent	
Receipts:					
Property and Other Local Taxes	\$ 475,340	-	-	-	\$ 475,340
Library and Local Government Support	819,989	-	-	-	819,989
Intergovernmental	57,653	-	-	-	57,653
Patron Fines and Fees	38,172	-	-	-	38,172
Services Provided Other Entities	387	-	-	-	387
Earnings on Investments	8,869	\$ 868	\$ 8,245	\$ 29	18,011
Contributions, Gifts and Donations	27,915	604	5,000	-	33,519
Miscellaneous	20,195	-	-	-	20,195
Total Receipts	1,448,520	1,472	13,245	29	1,463,266
Disbursements:					
Current:					
Salaries	620,092	-	-	-	620,092
Employee Fringe Benefits	168,681	-	-	-	168,681
Purchased and Contracted Services	168,706	1,390	-	-	170,096
Library Materials and Information	140,904	779	-	-	141,683
Supplies	26,850	230	-	-	27,080
Other	185	-	-	-	185
Capital Outlay	9,728	146	-	-	9,874
Debt Service:					
Principal	105,000	-	-	-	105,000
Interest	226,018	-	-	-	226,018
Total Cash Disbursements	1,466,164	2,545	-	-	1,468,709
Excess of Receipts Over/(Under)					
Disbursements	(17,644)	(1,073)	13,245	29	(5,443)
Other Financing Sources/(Uses):					
Other Financing Sources	3,647	-	-	-	3,647
Transfers - In	-	2,663	14,800	-	17,463
Transfers - Out	(17,463)	-	-	-	(17,463)
Total Other Financing Sources/(Uses)	(13,816)	2,663	14,800	-	3,647
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(31,460)	1,590	28,045	29	(1,796)
Fund Balance January 1, 2010	686,697	61,097	496,504	1,718	1,246,016
Fund Balance December 31, 2010	\$ 655,237	\$ 62,687	\$ 524,549	\$ 1,747	\$ 1,244,220
Reserve for Encumbrances, December 31, 2010	\$ 2,417	\$ -	\$ -	\$ -	\$ 2,417

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, 2009

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent	
Receipts:					
Property and Other Local Taxes	\$ 468,940	-	-	-	\$ 468,940
Library and Local Government Support	872,814	-	-	-	872,814
Intergovernmental	59,649	-	-	-	59,649
Patron Fines and Fees	32,386	-	-	-	32,386
Services Provided to Other Entities	65	-	-	-	65
Earnings on Investments	16,099	\$ 1,508	\$ 5,428	\$ 58	23,093
Contributions, Gifts and Donations	19,882	-	-	-	19,882
Miscellaneous	14,065	-	-	-	14,065
Total Receipts	1,483,900	1,508	5,428	58	1,490,894
Disbursements:					
Current:					
Salaries	654,376	-	-	-	654,376
Employee Fringe Benefits	182,579	-	-	-	182,579
Purchased and Contracted Services	169,491	4,150	7,472	-	181,113
Library Materials and Information	159,561	-	-	-	159,561
Supplies	24,109	-	-	-	24,109
Other	504	-	-	-	504
Capital Outlay	31,612	5,862	-	-	37,474
Debt Service:					
Principal	105,000	-	-	-	105,000
Interest	228,904	-	-	-	228,904
Total Cash Disbursements	1,556,136	10,012	7,472	-	1,573,620
Excess of Receipts Over/(Under)					
Disbursements	(72,236)	(8,504)	(2,044)	58	(82,726)
Other Financing Sources/(Uses):					
Other Financing Sources	4,607	-	-	-	4,607
Total Other Financing Sources/(Uses)	4,607	-	-	-	4,607
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(67,629)	(8,504)	(2,044)	58	(78,119)
Fund Balance January 1, 2009	754,326	69,601	498,548	1,660	1,324,135
Fund Balance December 31, 2009	\$ 686,697	\$ 61,097	\$ 496,504	\$ 1,718	\$ 1,246,016
Reserve for Encumbrances, December 31, 2009	\$ 2,720	\$ -	\$ -	\$ -	\$ 2,720

See accompanying Notes to the Financial Statements.

**REED MEMORIAL 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 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 at cost. 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, 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 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:

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

Ruth C. Woolf Memorial Fund – This fund is used to account for donations from the Woolf family to purchase educational materials.

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.

Automation Fund – This fund is used to purchasing and improving the equipment used in the automated circulation system maintained by 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, which holds money for library materials.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 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.

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	\$ 4,184	\$ 2,002
Certificates of deposit	<u>1,144,790</u>	<u>1,140,568</u>
Total deposits	1,148,974	1,142,570
STAR Ohio	37,679	37,638
Bank Savings Accounts	<u>57,567</u>	<u>65,808</u>
Total deposits and investments	<u>\$ 1,244,220</u>	<u>\$ 1,246,016</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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. BUDGETARY ACTIVITY

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

2010 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,437,397	\$ 1,452,167	\$ 14,770
Special Revenue	4,284	4,135	(149)
Capital Projects	19,511	28,045	8,534
Permanent	53	29	(24)

2010 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,585,892	\$ 1,486,044	\$ 99,848
Special Revenue	20,777	2,545	18,232
Capital Projects	325,000	-	325,000
Permanent	-	-	-

2009 Budgeted vs Actual Receipts			
Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,480,984	\$ 1,488,507	\$ 7,523
Special Revenue	2,764	1,508	(1,256)
Capital Projects	25,150	5,428	(19,722)
Permanent	80	58	(22)

2009 Budgeted vs Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,825,110	\$ 1,558,856	\$ 266,254
Special Revenue	19,168	10,012	9,156
Capital Projects	485,620	7,472	478,148
Permanent	-	-	-

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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.

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:

<u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 110,000	\$ 222,763	\$ 332,763
2012	115,000	218,748	333,748
2013	120,000	214,550	334,550
2014	125,000	209,750	334,750
2015	130,000	204,750	334,750
2016-2020	730,000	935,630	1,665,630
2021-2025	910,000	749,720	1,659,720
2026-2030	1,160,000	563,750	1,723,750
2031-2033	1,280,000	87,000	1,367,000
Total	<u>\$ 4,680,000</u>	<u>\$ 3,406,661</u>	<u>\$ 8,086,661</u>

**REED MEMORIAL LIBRARY
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 percent of their gross salaries, respectively. The Library contributed an amount equal to 14 percent 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.

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.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
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 (the Library) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 22, 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 grants 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 audit committee, 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 22, 2011

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

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

This Page is Intentionally Left Blank.



Dave Yost • 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
JUNE 16, 2011