



**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Kirtland Public Library
Lake County
9267 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Public Library, Lake County, Ohio, (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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.

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the Kirtland Public Library, Lake County, Ohio, which consists of all funds, departments, and offices comprising the Library's legal entity. The financial statements do not include financial data for the Library's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Kirtland Public Library, Lake County, Ohio, as of December 31, 2004, and the changes in its financial position and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Public Library, Lake County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

August 30, 2005

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Kirtland Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Library's modified cash basis accounting. Readers also should review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$27,723, or 7 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004.

The Library's general receipts are primarily personal state income taxes allocated through the Library and Local Government Support Fund (LLGSF) and classified as Intergovernmental revenue. LLGSF receipts represent 91.3% percent of the total cash received for governmental activities during the year.

The Library had no business-type activities.

The Library had no debt obligations.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
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(CONTINUED)**

Reporting the Kirtland Public Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2004, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Library at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the public for Library services, including fines and lost book payments, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each government function activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indication of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non financial factors as well such as the state's personal income tax base and rates, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, if any, the reliance on non-local financial resources for operations, the need for continued growth in the LLGSF, our major revenue source, and the state legislature's role in determining LLGSF funding statewide.

The Statement of Net Assets and the Statement of Activities report data on all of the Library's activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds - not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Library's funds are all classified as Governmental funds. (The Library did not have Proprietary or Fiduciary funds in 2004.)

All of the Library's activities during 2004 are reported in governmental funds. The governmental fund financial statement provides a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library has three major governmental funds - the General Fund, the Capital Projects Fund, and the Kitty May Trust Fund. Information for all non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2004, the Library had only one non-major fund - the Golden Egg Endowment Fund - and therefore the data presented under Other Governmental Funds is for that single Fund.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(CONTINUED)**

The Government as a Whole

Table 1 provides a summary of the Kirtland Public Library's net assets for 2004 compared to 2003 on a modified cash basis:

**Table 1
Net Assets
Governmental Activities**

	2004	2003
Assets		
Cash and Cash Equivalents	\$141,153	\$19,535
Investments	233,037	382,378
Total Assets	374,190	401,913
Net Assets		
Restricted For:		
Capital Projects	61,261	59,711
Other Purposes	81,598	80,785
Unrestricted	231,331	261,417
Total Net Assets	\$374,190	\$401,913

As mentioned previously, net assets of governmental activities decreased \$27,723 or 7% during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

* Total Salaries expenditures increased approximately 10% from 2003 to 2004. This increase included staff raises ranging from 5% to 10%. This was the final year in a multi-year plan to increase Library salaries to competitive levels within Lake County. One part-time position was increased to full-time, and one reference librarian was replaced at a higher wage, due to better qualifications.

* Employee Fringe Benefits went up by 13% due primarily to increases in contributions paid to Ohio Public Employees Retirement System. The contributions increased because wages increased, which also caused an increase in health care costs and higher Workers' Compensation premiums.

* The telephone system was replaced at a cost of \$9,190.

* Collection Development and Processing expenditures were up \$14,500 or 18%. The Library spent \$9,000 more on books in 2004 than 2003 and \$5,500 more on audio-visual materials and periodicals.

**KIRTLAND PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED
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**Table 2
Change in Net Assets
Governmental Activities**

	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$15,132
Operating Grants and Contributions	27,948
Total Program Receipts	43,080
General Receipts:	
Unrestricted Gifts and Contributions	755
Grants and Entitlements Not Restricted to Specific Programs	542,799
Interest	5,825
Miscellaneous	2,352
Total General Receipts	551,731
Total Receipts	594,811
Disbursements:	
Library Services:	
Public Service and Programs	375,174
Collection Development and Processing	93,249
Support Services:	
Facilities Operation and Maintenance	73,295
Information Services	30,048
Business Administration	33,055
Capital Outlay	17,713
Total Disbursements	622,534
Increase (Decrease) in Net Assets	(27,723)
Net Assets Beginning of Year	401,913
Net Assets End of Year	\$374,190

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Program Receipts represent only 7 percent of total receipts and are primarily comprised of patron fines, lost book and audio-visual material fees, copier and FAX machine fees, and gifts to the Library for specific programs. In 2004, \$27,948 in Annual Fund receipts were used to purchase books and audio-visual materials.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
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(CONTINUED)**

General Receipts represent 93 percent of the Kirtland Public Library's total receipts, and of this amount \$542,800 are Library and Local Government Support Fund monies which come from the Ohio personal state income tax collection. Other receipts, such as interest and refunds, are comparatively insignificant.

Disbursements represent all costs to run the Library. Public Service and Programs includes salaries, wages, and all employee retirement and fringe benefits. Collection Development and Processing includes funds paid out for books, periodicals, audio-visual materials, and computer data bases. Facilities Operation and Maintenance includes utilities, property insurance, and maintenance and repairs to the building and equipment. Information Services include the cost of the automated catalog and circulation system and IT consulting. Business Administration includes everything from postage, printing, and administrative supplies to fidelity bonds and institutional memberships. In 2004, capital expenditures included public and staff computers and a new telephone system.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Service and Programs and Collection Development and Processing, which account for 60 and 15 percent, respectively, of all disbursements. The cost to maintain the Library building, Facilities Operation and Maintenance, also represents a significant cost, about 12 percent. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for services as well as gifts received by the Library that must be used to provide a specific service or benefit. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided primarily by taxpayers. These "net costs" are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3
Total and Net Cost of Program Services
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
Library Services:		
Public Service and Programs	\$375,174	(\$362,127)
Collection Development and Processing	93,249	(65,301)
Support Services:		
Facilities Operation and Maintenance	73,295	(71,210)
Information Services	30,048	(30,048)
Business Administration	33,055	(33,055)
Capital Outlay	17,713	(17,713)
Total Governmental Activities	\$622,534	(\$579,454)

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(CONTINUED)**

The Kirtland Public Library's dependence upon the LLGSF is apparent as over 87 percent of all governmental fund activities are supported through these general receipts.

The Government's Funds

Total government funds had receipts of \$594,810 and disbursements of \$622,534. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$30,086 as a result of increased expenditures for library materials and salaries and benefits.

The General Fund decrease included \$10,000 which was transferred to the Library's Capital Projects Fund. During 2004, the Capital Projects Fund balance increased a net \$1,550, the Kitty May Trust Fund balance increased \$1,167, and the Other Governmental Funds (i.e. the Golden Egg Endowment Fund) balance decreased a net \$354. Therefore, the year-end balance of all Library governmental funds combined decreased a total of \$27,723.

General Fund receipts were less than disbursements by \$30,086 indicating that the General Fund is in a deficit spending situation. It was the decision of the Kirtland Public Library Board of Trustees, upon recommendation of the Finance Committee, to increase 2004 total disbursements and draw on the General Fund carry-over surplus. The January 1, 2004, unencumbered General Fund carry-over balance was \$236,184, an ample amount to permit this draw down.

The Board and Library administrators recognize that using surplus carry-over funds is not a permanent solution to a deficit spending situation. Action by the Ohio legislature regarding LLGSF funding and/or the level of Ohio personal income tax receipts will have a critical impact on the Library's financial future. These variables are followed closely by Library management, and alternate funding sources are under discussion.

General Fund Budgeting Highlights

The Kirtland Public Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The Kirtland Public Library Board of Trustees passed a permanent Annual Appropriations measure for 2004 on January 12, 2004. During the year, the Board amended its General Fund budget several times with Supplemental Appropriations to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts by \$15,196 due to conservative revenue projections in the January Appropriations measure.

Final budgeted disbursements were budgeted at \$853,227, which included a \$120,000 Contingency account. Actual disbursements were \$621,896. Actual disbursements included a \$10,000 transfer to the Library's Capital Projects Fund; this fund is set aside for major building repairs and equipment replacement. Except for Information Services (a \$798 shortfall,) each category of disbursements ended the year with lower disbursements than originally forecast in January. The long-time practice of projecting lower expected receipts and higher expected expenditures is based on the conservative approach of the Library's management.

In 2004, although actual receipts equaled estimates and actual expenditures were lower than budgeted, the year-end General Fund balance decreased by \$30,086, which was funded by drawing on the General Fund carry-over balance.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(CONTINUED)**

Capital Assets and Debt Administration

Capital Assets

The Kirtland Public Library maintains an inventory of equipment and furnishings, as well as a count of the materials collection. The Library's financial statements include only cash, cash equivalents, and investments. Physical assets such as the Library building, its contents, and the collection are not included in the financial statements.

Debt

The Kirtland Public Library had no debt during the year 2004.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. This is particularly true of Ohio's public libraries which face both possible changes by the state legislature in the level of LLGSF funding as a whole, and changes in the level of Ohio personal income tax receipts. Further, personal tax receipts can be affected by the state economy and by personal income tax rates as set by the legislature.

In addition, the Library's share of the LLGSF apportioned to Lake County is affected by the formula used to allocate funds within the county. Developed by Lake County library boards and directors, the formula utilizes data on population, circulation, and dollars spent on library materials to allocate LLGSF funds to the 8 public libraries in the county. Since the formula does not distinguish between property tax dollars and LLGSF tax dollars used to purchase library materials, libraries not having property tax levies are at a disadvantage. This disadvantage then is magnified when increased materials expenditures result in higher circulation figures. In 2004, the Kirtland Public Library is one of the few libraries in Lake County without property tax support.

The Kirtland Public Library Board of Trustees, Director, and Clerk-Treasurer continue to monitor activities at the state and local levels and plan alternate sources of funding and/or expenditure reductions.

Contacting the Kirtland Public Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Julia B. Brandow, Clerk-Treasurer, Kirtland Public Library, 9267 Chillicothe Road, Kirtland, Ohio 44094. The Library's phone number is 440-256-READ (7323.)

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KIRTLAND PUBLIC LIBRARY
LAKE COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$141,153
Investments	<u>233,037</u>
<i>Total Assets</i>	<u><u>\$374,190</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$61,261
Other Purposes	81,598
Unrestricted	<u>231,331</u>
<i>Total Net Assets</i>	<u><u>\$374,190</u></u>

See accompanying notes to the basic financial statements

KIRTLAND PUBLIC LIBRARY
LAKE COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$375,174	\$13,047	\$0	(\$362,127)
Collection Development and Processing	93,249	0	27,948	(65,301)
Support Services:				
Facilities Operation and Maintenance	73,295	2,085	0	(71,210)
Information Services	30,048	0	0	(30,048)
Business Administration	33,055	0	0	(33,055)
Capital Outlay	17,713	0	0	(17,713)
<i>Total Governmental Activities</i>	<u>\$622,534</u>	<u>\$15,132</u>	<u>\$27,948</u>	<u>(579,454)</u>
General Receipts				
Unrestricted Gifts and Contributions				755
Grants and Entitlements not Restricted to Specific Programs				542,799
Interest				5,825
Miscellaneous				2,352
<i>Total General Receipts</i>				<u>551,731</u>
Change in Net Assets				(27,723)
<i>Net Assets Beginning of Year</i>				<u>401,913</u>
<i>Net Assets End of Year</i>				<u>\$374,190</u>

See accompanying notes to the basic financial statements

KIRTLAND PUBLIC LIBRARY
LAKE COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Capital Projects Fund	Kitty May Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$139,102	\$0	\$2,051	\$0	\$141,153
Investments	92,229	61,261	54,865	24,682	233,037
<i>Total Assets</i>	<u>\$231,331</u>	<u>\$61,261</u>	<u>\$56,916</u>	<u>\$24,682</u>	<u>\$374,190</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$27,790	\$0	\$0	\$0	\$27,790
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	203,541	0	0	0	203,541
Special Revenue Funds	0	0	56,916	24,682	81,598
Capital Projects Funds	0	61,261	0	0	61,261
<i>Total Fund Balances</i>	<u>\$231,331</u>	<u>\$61,261</u>	<u>\$56,916</u>	<u>\$24,682</u>	<u>\$374,190</u>

See accompanying notes to the basic financial statements

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004*

	General	Capital Projects Fund	Kitty May Trust Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$542,799	\$0	\$0	\$0	\$542,799
Patron Fines and Fees	15,132	0	0	0	15,132
Contributions, Gifts and Donations	27,948	0	0	755	28,703
Earnings on Investments	3,579	740	1,217	289	5,825
Miscellaneous	2,352	0	0	0	2,352
<i>Total Receipts</i>	<u>591,810</u>	<u>740</u>	<u>1,217</u>	<u>1,044</u>	<u>594,811</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	375,174	0	0	0	375,174
Collection Development and Processing	93,249	0	0	0	93,249
Support Services:					
Facilities Operation and Maintenance	73,295	0	0	0	73,295
Information Services	30,048	0	0	0	30,048
Business Administration	33,005	0	50	0	33,055
Capital Outlay	7,125	9,190	0	1,398	17,713
<i>Total Disbursements</i>	<u>611,896</u>	<u>9,190</u>	<u>50</u>	<u>1,398</u>	<u>622,534</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,086)</u>	<u>(8,450)</u>	<u>1,167</u>	<u>(354)</u>	<u>(27,723)</u>
Other Financing Sources (Uses)					
Transfers In	0	10,000	0	0	10,000
Transfers Out	(10,000)	0	0	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(30,086)</u>	<u>1,550</u>	<u>1,167</u>	<u>(354)</u>	<u>(27,723)</u>
<i>Fund Balances Beginning of Year</i>	<u>261,417</u>	<u>59,711</u>	<u>55,748</u>	<u>25,037</u>	<u>401,913</u>
<i>Fund Balances End of Year</i>	<u>\$231,331</u>	<u>\$61,261</u>	<u>\$56,915</u>	<u>\$24,683</u>	<u>\$374,190</u>

See accompanying notes to the basic financial statements

KIRTLAND PUBLIC LIBRARY
LAKE COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$542,614	\$542,799	\$542,799	\$0
Patron Fines and Fees	13,000	15,132	15,132	0
Contributions, Gifts and Donations	20,000	27,948	27,948	0
Earnings on Investments	1,000	3,579	3,579	0
Miscellaneous	0	2,352	2,352	0
<i>Total receipts</i>	<u>576,614</u>	<u>591,810</u>	<u>591,810</u>	<u>0</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	387,010	377,947	375,174	2,773
Collection Development and Processing	149,492	160,518	93,249	67,269
Support Services:				
Facilities Operation and Maintenance	85,441	92,545	73,295	19,250
Information Services	29,250	34,250	30,048	4,202
Business Administration	159,088	160,217	33,005	127,212
Capital Outlay	17,750	17,750	7,125	10,625
<i>Total Disbursements</i>	<u>828,031</u>	<u>843,227</u>	<u>611,896</u>	<u>231,331</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(251,417)</u>	<u>(251,417)</u>	<u>(20,086)</u>	<u>231,331</u>
Other Financing Sources (Uses)				
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(261,417)</u>	<u>(261,417)</u>	<u>(30,086)</u>	<u>231,331</u>
<i>Fund Balance Beginning of Year</i>	236,184	236,184	236,184	0
Prior Year Encumbrances Appropriated	25,233	25,233	25,233	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$231,331</u>	<u>\$231,331</u>

See accompanying notes to the basic financial statements

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**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 Kirtland Public Library, Lake County, (the Library) as a body corporate and politic. The Kirtland Local School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational, literary, and recreational resources in print and audio-visual formats, as well as allied services.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Deloris C. Parsons Endowment Fund is a component unit of the Library which was formed for the purpose of furthering the betterment of the Library and the services that it provides. The Fund is governed by an eight member Board of Trustees. The Library has chosen not to present the Fund as a component unit of the Library.

The Library's management believes these financial statements present all activities for which the Library is financial accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is a modified cash basis. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Library invested General Fund monies in STAR Ohio (the State Treasurer's investment pool) and Certificates of Deposits issued by savings banks.

The Library invested Capital Projects Fund monies in STAR Ohio.

The Library invested monies in the Golden Egg Endowment Fund in STAR Ohio and an equity security. Equity securities are reported at basis and are held in a Charter One Securities brokerage account in the name of the Kirtland Public Library. The Board of Trustees receives a statement of market value of equity securities at its monthly board meetings.

At December 31, 2004, the Golden Egg Endowment Fund balance was \$24,682. Ninety-eight percent, or \$24,177, was invested in STAR Ohio. An equity security, with a market value of \$513, was reported at basis of \$505. The equity security portion of the Fund balance was two percent.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments (Continued)

The Library invested monies in the Kitty May Trust Fund in a Certificate of Deposit issued by a savings bank and in equity securities. Equity securities are reported at the fair value when donated and held in a McDonald Investments brokerage account in the name of the Kirtland Public Library. The Board of Trustees receives a statement of market value of equity securities at its monthly board meetings.

At December 31, 2004, the Kitty May Trust Fund balance was \$56,915. Forty-one percent, or \$23,243, was invested in a Certificate of Deposit. Equity securities, with a market value of \$44,264, were reported at a basis of \$31,622. The equity security portion of the Fund balance was reported as 56% of the Fund Balance. A money market mutual fund held through McDonald Investments totaled \$ 2,051, or 3% of the total Fund balance.

D. Fund Accounting

The Library used fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its major funds as follows:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund is used for the purpose of repairing, improving, furnishing and equipping the existing library facilities, equipment and furnishings.

3. Kitty May Trust Fund

This fund was established through a charitable annuity trust donation from Kathryn Arns May in 2003. Mrs. May did not place any restrictions on the use of these funds in her trust document. These funds are presently used at the discretion, and on approval, of the Board of Trustees.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at yearend. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed year end appropriations at the fund, function, and object level of control.

A summary of 2004 budgetary activity appears in Note 3.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit account, including, but not limited to, passbook accounts;
5. Bonds and other obligation of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Clerk Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

A. Deposits

At year-end, the carrying amount of the Library's deposits was \$239,395 and the bank balance was \$288,143. Of the bank balance, \$258,675 was covered by federal depository insurance. The remaining balance of \$29,468 was uncollateralized and uninsured. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

B. Investments

The Library's investments are required to be categorized to give an indication of the level of risk assumed by the Library at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Library's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value
Star Ohio	\$0	\$102,668
Common Stock	32,127	32,127
Total	\$32,127	\$134,795

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and cash equivalents and investment on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$141,153	\$233,037
Certificate of Deposit	98,242	(98,242)
GASB Statement No. 3	\$239,395	\$134,795

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity (not including current year encumbrances) for the year ending December 31, 2004, follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$853,227	\$621,896	\$231,331
Special Revenue	2,983	1,448	1,535
Capital Projects	50,140	9,190	40,950
Total	\$906,350	\$632,534	\$273,816

4. GRANTS-IN-AID RECEIPTS

The primary source of revenue for Kirtland Public Library is the State Library and Local Government Support Fund (LLGSF.) The LLGSF is allocated to each county based on the county's prior intangibles tax revenues and its population. The Lake County Budget Commission allocates these funds to the Library based on the Library district population, circulation, and percentage of materials expense to operating expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. The revenue is reflected as Intergovernmental Revenue in the accompanying fund financial statements and as Grants and Entitlements Not Restricted to Specific Programs in the statement of activities.

The Lake County Auditor is responsible for distributing all Library and Local Government Support Fund revenues on behalf of the Library.

5. 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 age and 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 under a salary-reduction OPERS pick-up plan. 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.

**KIRTLAND PUBLIC LIBRARY
LAKE COUNTY**

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

6. RISK MANAGEMENT

The Kirtland Public Library has obtained commercial insurance for the following risks:

- * Comprehensive property and general liability; and
- * Errors and Omissions covering the Board of Trustees, staff members, and volunteers as authorized by the Library Director.

In 2004, the Board of Trustees commissioned a professional appraisal of the building to determine the necessary limits of insurance.

The Library also makes health, vision, and dental insurance available through a private carrier to full-time employees who work 25 or more hours per week. The Library may provide funds toward premium payments at rates and amounts set from time to time by the Board of Trustees. The Library's liability for health care is limited to the premiums paid.

Term life and Accidental Death & Dismemberment (AD&D) insurance is provided to employees working 20 or more hours per week at one times their salary. These employees may purchase additional term life, additional AD&D, and/or long term care insurance at their own expense. These coverages are available through a private carrier.

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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*

Kirtland Public Library
Lake County
9267 Chillicothe Road
Kirtland, Ohio 44094

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kirtland Public Library, Lake County, Ohio, (the Library) as of and for the year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 30, 2005, wherein we noted the Library revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34. We also noted the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We issued an adverse opinion on the primary government because the Library did not include financial data for the Library's legally separate component unit. 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 in order to express our opinions 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 August 30, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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*.

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We intend this report solely for the information and use of management and the 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

August 30, 2005



**Auditor of State
Betty Montgomery**

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KIRTLAND PUBLIC LIBRARY

LAKE 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
NOVEMBER 10, 2005**