



**Auditor of State  
Betty Montgomery**



REED MEMORIAL LIBRARY  
PORTAGE COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

September 19, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Reed Memorial Library, Portage County, (the Library) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with 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 audit the Government 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Reed Memorial Library, Portage County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

September 19, 2005



**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$513,304				\$513,304
Library and Local Government Support	1,073,404				1,073,404
Other Government Grants-In-Aid					
Patron Fines and Fees	14,622				14,622
Services Provided to Other Entities	89				89
Contributions, Gifts and Donations	2,602	\$5,000	\$2,635		10,237
Earnings on Investments	7,280	33	47,054	\$32,601	86,968
Miscellaneous Receipts	6,601		3,849		10,450
<b>Total Cash Receipts</b>	<b>1,617,902</b>	<b>5,033</b>	<b>53,538</b>	<b>32,601</b>	<b>1,709,074</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries	566,306				566,306
Employee Fringe Benefits	161,280				161,280
Purchased and Contracted Services	136,063		529,947	63,738	729,748
Library Materials and Information	195,881			407	196,288
Lease Payments	319,988				319,988
Supplies	22,224				22,224
Other Objects	372		650		1,022
Capital Outlay	8,238		915,386	4,087	927,711
<b>Total Cash Disbursements</b>	<b>1,410,352</b>	<b>0</b>	<b>1,445,983</b>	<b>68,232</b>	<b>2,924,567</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>207,550</b>	<b>5,033</b>	<b>(1,392,445)</b>	<b>(35,631)</b>	<b>(1,215,493)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sales of Property	112				112
Other Financing Sources	4,708		158		4,866
Other Financing Uses			(15,832)	(33,392)	(49,224)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>4,820</b>	<b>0</b>	<b>(15,674)</b>	<b>(33,392)</b>	<b>(44,246)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>212,370</b>	<b>5,033</b>	<b>(1,408,119)</b>	<b>(69,023)</b>	<b>(1,259,739)</b>
<b>Fund Cash Balances, January 1</b>	<b>255,104</b>	<b>0</b>	<b>5,160,054</b>	<b>2,211,403</b>	<b>7,626,561</b>
<b>Fund Cash Balances, December 31</b>	<b>\$467,474</b>	<b>\$5,033</b>	<b>\$3,751,935</b>	<b>\$2,142,380</b>	<b>\$6,366,822</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$581</b>	<b>\$0</b>	<b>\$1,703,795</b>	<b>\$1,745,200</b>	<b>3,449,576</b>

*The notes to the financial statements are an integral part of this statement.*

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Earnings on Investments		\$26	26
Total Operating Cash Receipts	0	26	26
<b>Operating Cash Disbursements:</b>			
Current:			
Purchased and Contracted Services	3,004		3,004
Library Materials and Information		24	24
Other Objects	1,745		1,745
Total Operating Cash Disbursements	4,749	24	4,773
Operating Income/(Loss)	(4,749)	2	(4,747)
<b>Non-Operating Cash Receipts:</b>			
Miscellaneous Receipts	2,201		2,201
Total Non-Operating Cash Receipts	2,201	0	2,201
Net Receipts Over/(Under) Disbursements	(2,548)	2	(2,546)
Fund Cash Balances, January 1	9,347	1,525	10,872
<b>Fund Cash Balances, December 31</b>	<b>\$6,799</b>	<b>\$1,527</b>	<b>\$8,326</b>

*The notes to the financial statements are an integral part of this statement.*

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes				\$0
Library and Local Government Support	\$1,066,677			1,066,677
Other Government Grants-In-Aid		\$4,537,663		4,537,663
Patron Fines and Fees	20,727			20,727
Services Provided to Other Entities	2,361			2,361
Contributions, Gifts and Donations	1,719	1,790	\$343,173	346,682
Earnings on Investments	6,847	12,470	33,367	52,684
Miscellaneous Receipts	530	5,460		5,990
	<u>1,098,861</u>	<u>4,557,383</u>	<u>376,540</u>	<u>6,032,784</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	535,045			535,045
Employee Fringe Benefits	140,990			140,990
Purchased and Contracted Services	121,426	75,572		196,998
Library Materials and Information	217,803		443	218,246
Supplies	24,136			24,136
Other Objects	340			340
Capital Outlay	5,130	255,034		260,164
	<u>1,044,870</u>	<u>330,606</u>	<u>443</u>	<u>1,375,919</u>
Total Cash Disbursements	<u>1,044,870</u>	<u>330,606</u>	<u>443</u>	<u>1,375,919</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>53,991</u>	<u>4,226,777</u>	<u>376,097</u>	<u>4,656,865</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Financing Sources	617			617
Total Other Financing Receipts/(Disbursements)	<u>617</u>	<u>0</u>	<u>0</u>	<u>617</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	54,608	4,226,777	376,097	4,657,482
Fund Cash Balances, January 1 (Restated see note 6)	<u>200,496</u>	<u>933,277</u>	<u>1,835,306</u>	<u>2,969,079</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$255,104</b></u>	<u><b>\$5,160,054</b></u>	<u><b>\$2,211,403</b></u>	<u><b>\$7,626,561</b></u>
Reserve for Encumbrances, December 31	<u>\$714</u>	<u>\$480,410</u>		<u>481,124</u>

*The notes to the financial statements are an integral part of this statement.*

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$0	\$25	\$25
Total Operating Cash Receipts	0	25	25
<b>Operating Cash Disbursements:</b>			
Current:			
Purchased and Contracted Services	2,717		2,717
Library Materials and Information		27	27
Other	2,293		2,293
Total Operating Cash Disbursements	5,010	27	5,037
Operating Income/(Loss)	(5,010)	(2)	(5,012)
<b>Non-Operating Cash Receipts/Disbursements:</b>			
Miscellaneous Receipts	7,732		7,732
Other Non-Operating Receipts	500		500
Total Non-Operating Cash Receipts	8,232	0	8,232
Net Receipts Over/(Under) Disbursements	3,222	(2)	3,220
Fund Cash Balances, January 1	6,125	1,527	7,652
<b>Fund Cash Balances, December 31</b>	<b>\$9,347</b>	<b>\$1,525</b>	<b>\$10,872</b>

*The notes to the financial statements are an integral part of this statement.*

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Reed Memorial Library, Portage County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Library is directed by a seven-member Board of Trustees appointed by the Ravenna City School District. The Library provides the community with various educational and literary resources.

The Library is associated with the Portage Library Consortium, which was formed in 1990 by an agreement between the Portage County District Library, Kent Free Library, and Reed Memorial Library and is defined as a jointly governed organization. (See Note 8).

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports. Huntington Bond Account are improvement bonds issue by the City of Ravenna (See Note 5).

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

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

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

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

**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 fund:

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

**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:

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

*Building Project Fund* – This fund is used to account for construction costs of the Addition and Alteration project of the Library.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends to recover the significant costs of providing certain goods or services through user charges. The Enterprise Fund receives money from rental property fees charged to tenants.

**5. Fiduciary Funds (Trust Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary funds:

*Brown Expendable Trust Fund* – This fund is an expendable trust fund restricted for the purchase of books.

*Gilson Expendable Trust Fund* – This fund is an expendable trust fund unrestricted for general library use. The Board has designated this fund to be used for the building project.

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**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 (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$2,132,865	\$1,931,779
Total deposits	2,132,865	1,931,779
STAR Ohio	1,181,030	1,166,108
Huntington Bond Account (See Note 5)	3,061,253	4,539,545
Total investments	4,242,283	5,705,653
Total deposits and investments	\$6,375,148	\$7,637,432

**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. See Note 5 for a description of the Huntington Bond account.

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

Fund Type	Receipts	Receipts	Variance
General	\$1,617,676	\$1,622,722	\$5,046
Special Revenue	0	5,033	5,033
Capital Projects	24,000	53,696	29,696
Enterprise	3,000	2,201	(799)
Fiduciary	21,050	32,627	11,577
Total	<u>\$1,665,726</u>	<u>\$1,716,279</u>	<u>\$50,553</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,685,949	\$1,410,933	\$275,016
Capital Projects	4,174,135	3,165,610	1,008,525
Enterprise	12,347	4,749	7,598
Fiduciary	2,207,444	1,846,848	360,596
Total	<u>\$8,079,875</u>	<u>\$6,428,140</u>	<u>\$1,651,735</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,103,455	\$1,099,478	(\$3,977)
Capital Projects	4,707,505	4,557,383	(150,122)
Enterprise	770	8,232	7,462
Fiduciary	382,198	376,565	(5,633)
Total	<u>\$6,193,928</u>	<u>\$6,041,658</u>	<u>(\$152,270)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,212,084	\$1,045,584	\$166,500
Capital Projects	996,500	811,016	185,484
Enterprise	6,000	5,010	990
Fiduciary	470	470	0
Total	<u>\$2,215,054</u>	<u>\$1,862,079</u>	<u>\$352,975</u>



**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**4. GRANTS-IN-AID AND TAX RECEIPTS**

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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**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, 2031. The lease payments are based upon the bond payment requirements and are supported by a voter approved \$1.61 mill tax levy.

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

<u>Year ending December 31:</u>	<u>Lease Obligation</u>
2004	343,314
2005	332,255
2006	335,355
2007	333,355
2008	331,355
2009-2013	1,665,982
2014-2018	1,669,870
2019-2023	1,661,480
2024-2028	1,657,500
2029-2031	2,096,750
Total	<u>\$10,427,216</u>

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**6. RESTATEMENT OF PRIOR YEAR'S FUND BALANCE**

An adjustment resulted in the restatement of the beginning of the year fund balance in the general fund. Warrants issued by the Library in 2002 (the prior audit period) were subsequently voided in 2003. The checks amounts were added back to the beginning balance. The table below presents the adjustment and the resulting effect on the fund balance

	<b>General Fund</b>
Fund Balance as of January 1, 2003	\$200,102
Add: FY 2002 warrants voided in FY 2003	394
Restated Amounts December 31, 2002	\$200,496

**7. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

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

**8. 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 life insurance, health insurance, dental and vision coverage to full-time employees through a private carrier.

**9. JOINTLY GOVERNED ORGANIZATION**

The Portage Library Consortium (PLC) authorized under Ohio Revised Code Section 3375.403 consists of the Portage County District Library, Kent Free Library, and Reed Memorial Library. The purpose of the consortium is to provide better services at reduced costs to each member through collective efforts and resource sharing. The PLC is governed by a Council comprised of two trustees from each member library. Member libraries are entitled to a single vote. Council controls the budget and all financial concerns. The three libraries allocate 1.3% of State Library and Local Government Support Fund (LLGSF) for a total 3.9% allocation of revenue. The Portage County District Library acts as the fiscal agent for the consortium.

**REED MEMORIAL LIBRARY  
PORTAGE COUNTY**

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

**10. LITIGATION**

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

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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*

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, (the Library) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 19, 2005, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses

#### **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*.

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

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

September 19, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 29, 2005**