

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND DECEMBER 31, 2002





**Auditor of State  
Betty Montgomery**

Board of Trustess  
Akron-Summit County Public Library  
485 Canton Road  
Akron, Ohio 44312

We have reviewed the *Independent Auditor's Report* of the Akron-Summit County Public Library, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2002 to December 31, 2003. 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.

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 Akron-Summit County Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 7, 2005

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**AKRON-SUMMIT COUNTY PUBLIC LIBRARY, OHIO**  
**SUMMIT COUNTY**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Akron-Summit County Public Library, Summit County  
485 Canton Road  
Akron, OH 44312

We have audited the accompanying financial statements of Akron-Summit County Public Library, Summit County (the Library), as of and for the years ended December 31, 2003 and December 31, 2002, as listed in the table of contents. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 combined fund cash balances and reserves for encumbrances of Akron-Summit County Public Library as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**INDEPENDENT AUDITOR'S REPORT** (continued)

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 2, 2005

**Akron-Summit County Public Library  
Summit County**

**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash  
Balances - All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$4,621,269	\$4,949,353	\$0	\$0	\$9,570,622
Other Government Grants-in-Aid	14,237,203	0	0	0	14,237,203
Intergovernmental	504,495	594,159	0	0	1,098,654
Patron Fines and Fees	468,345	0	0	0	468,345
Earnings on Investments	75,201	0	705,132	25,344	805,677
Contributions, Gifts and Donations	25,706	0	0	0	25,706
Miscellaneous	197,953	0	9,350	0	207,303
<b>Total Cash Receipts</b>	<b>20,130,172</b>	<b>5,543,512</b>	<b>714,482</b>	<b>25,344</b>	<b>26,413,510</b>
<b>Cash Disbursements</b>					
<b>Current:</b>					
Salaries and Benefits	14,179,876	0	0	0	14,179,876
Supplies	320,597	0	0	0	320,597
Purchased and Contracted Services	3,291,882	74,387	3,150,104	0	6,516,373
Library Materials and Information	2,420,514	0	0	276	2,420,790
Other	136,905	0	0	0	136,905
Capital Outlay	59,926	0	17,314,145	0	17,374,071
<b>Debt Service:</b>					
Redemption of Principal	0	2,325,000	0	0	2,325,000
Interest and Other Fiscal Charges	0	3,480,587	0	0	3,480,587
<b>Total Cash Disbursements</b>	<b>20,409,700</b>	<b>5,879,974</b>	<b>20,464,249</b>	<b>276</b>	<b>46,754,199</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(279,528)</b>	<b>(336,462)</b>	<b>(19,749,767)</b>	<b>25,068</b>	<b>(20,340,689)</b>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers In	1,258,470	60,000	0	0	1,318,470
Transfers Out	0	0	(1,318,470)	0	(1,318,470)
<b>Total Other Financing Receipts/ (Disbursements)</b>	<b>1,258,470</b>	<b>60,000</b>	<b>(1,318,470)</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)</b>	<b>978,942</b>	<b>(276,462)</b>	<b>(21,068,237)</b>	<b>25,068</b>	<b>(20,340,689)</b>
Fund Cash Balances, January 1, 2003	2,992,356	278,023	50,815,641	1,204,626	55,290,646
Fund Cash Balances, December 31, 2003	<u>\$3,971,298</u>	<u>\$1,561</u>	<u>\$29,747,404</u>	<u>\$1,229,694</u>	<u>\$34,949,957</u>
Reserve For Encumbrances	<u>\$249,509</u>	<u>\$0</u>	<u>\$21,311,825</u>	<u>\$0</u>	<u>\$21,561,334</u>

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



**Akron-Summit County Public Library  
Summit County**

**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash  
Balances - All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$4,623,486	\$2,933,889	\$0	\$0	\$7,557,375
Other Government Grants-in-Aid	14,327,848	0	0	0	14,327,848
Intergovernmental	502,424	344,000	0	0	846,424
Patron Fines and Fees	448,437	0	0	0	448,437
Earnings on Investments	45,619	0	88,102	17,825	151,546
Contributions, Gifts and Donations	14,334	0	0	355,027	369,361
Miscellaneous	141,509	0	0	0	141,509
<b>Total Cash Receipts</b>	<b>20,103,657</b>	<b>3,277,889</b>	<b>88,102</b>	<b>372,852</b>	<b>23,842,500</b>
<b>Cash Disbursements</b>					
Current:					
Salaries and Benefits	13,447,355	0	0	0	13,447,355
Supplies	481,476	0	0	0	481,476
Purchased and Contracted Services	3,642,651	46,016	2,974,183	0	6,662,850
Library Materials and Information	3,336,735	0	0	0	3,336,735
Other	196,988	0	0	0	196,988
Capital Outlay	158,521	0	10,663,166	0	10,821,687
Debt Service:					
Redemption of Principal	0	2,000,000	0	0	2,000,000
Interest and Other Fiscal Charges	0	1,482,160	475,142	0	1,957,302
<b>Total Cash Disbursements</b>	<b>21,263,726</b>	<b>3,528,176</b>	<b>14,112,491</b>	<b>0</b>	<b>38,904,393</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(1,160,069)</b>	<b>(250,287)</b>	<b>(14,024,389)</b>	<b>372,852</b>	<b>(15,061,893)</b>
<b>Other Financing Receipts/(Disbursements)</b>					
Proceeds from Sale of Bonds	0	0	35,566,248	0	35,566,248
Transfers In	1,481,920	0	0	0	1,481,920
Transfers Out	0	0	(1,481,920)	0	(1,481,920)
<b>Total Other Financing Receipts/ (Disbursements)</b>	<b>1,481,920</b>	<b>0</b>	<b>34,084,328</b>	<b>0</b>	<b>35,566,248</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)</b>	<b>321,851</b>	<b>(250,287)</b>	<b>20,059,939</b>	<b>372,852</b>	<b>20,504,355</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>2,670,506</b>	<b>528,310</b>	<b>30,755,702</b>	<b>831,775</b>	<b>34,786,293</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$2,992,357</b>	<b>\$278,023</b>	<b>\$50,815,641</b>	<b>\$1,204,627</b>	<b>\$55,290,648</b>
<b>Reserve For Encumbrances</b>	<b>\$501,156</b>	<b>\$0</b>	<b>\$27,654,099</b>	<b>\$0</b>	<b>\$28,155,255</b>

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

**Akron-Summit County Public Library**  
**Summit County**  
**Statements of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - Nonexpendable Trust Fund**  
**For the Years Ended December 31, 2003 and December 31, 2002**

	Fiduciary Fund Types	
	2003 Nonexpendable Trust	2002 Nonexpendable Trust
Operating Cash Receipts		
Earnings on Investments	\$10,170	\$10,964
Operating Cash Disbursements		
Purchased and Contracted Services	28	0
Library Materials and Information	42,287	91,174
Total Operating Cash Disbursements	42,315	91,174
Operating (Loss)	(32,145)	(80,210)
Fund Cash Balances, January 1,	516,095	596,305
Fund Cash Balances, December 31,	\$483,950	\$516,095
Reserve for Encumbrances	\$1,218	\$14,546

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

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Akron-Summit County Public Library, Summit County, Ohio (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 publicly-appointed, seven-member Board of Trustees. The Library provides recreational, informational and educational materials, services and programs to the residents of Summit County.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. 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 (ie., 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

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

U.S. Treasury Notes, Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank investments are valued at cost. Money market mutual funds and STAR Ohio are recorded at share values reported by the mutual fund and the Treasurer of State, respectively.

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:

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

**Governmental Fund Types:**

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

**Debt Service Fund** - The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness:

Bond Retirement Fund – This fund is used to make payments on the Library’s outstanding bond issue.

**Capital Projects Fund** – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following Capital Projects Fund:

Building and Repair Fund – This fund is used to account for the payments made to contractors for the construction, renovation and/or repair of library buildings and facilities.

**Fiduciary Funds (Trust Funds):**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant Fiduciary Funds

C. Blake McDowell Jr. Fund – This nonexpendable trust fund was established through a donation received from the estate of C. Blake McDowell, a former president of the Board of Trustees.

Taylor Lerch Fund – This expendable fund is restricted to purchases of historical media such as books and microfilm.

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

E. Budgetary Process

The Ohio Administrative Code requires budgeting for each fund annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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 Library's basis of accounting the Library uses.

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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

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

	2003	2002
Demand deposits	\$1,916,258	\$2,191,287
Cash on Hand	1,155	1,155
 Total Deposits	 1,917,413	 2,192,442
 STAR Ohio	 39,035	 38,605
Money Market	107,824	266,294
U.S. Treasury Notes	14,130,985	17,863,576
Federal Home Loan Bank	12,241,117	22,101,704
Federal National Mortgage Association	5,997,896	13,344,122
Federal Farm Credit Bank	999,637	0
 Total Investments	 33,516,494	 53,614,301
 Total Deposits and Investments	 \$35,433,907	 \$55,806,743

**Deposits** – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

**Investments** – U.S. Treasury Notes, Federal Home Loan Bank, Federal Farm Credit Bank and Federal National Mortgage Association are held in book-entry form by the Federal Reserve, in the name of the Library’s financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio and Money Market Mutual funds are not evidenced by securities that exist in physical or book-entry form.

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,376,662	\$21,388,642	\$11,980
Debt Service	5,638,580	5,603,512	(35,068)
Capital Projects	350,000	714,482	364,482
Fiduciary	18,170	35,514	17,344
<b>Total</b>	<b>\$27,383,412</b>	<b>\$27,742,150</b>	<b>\$358,738</b>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$23,206,160	\$20,409,700	\$249,509	\$2,546,951
Debt Service	5,916,603	5,879,974	0	36,629
Capital Projects	51,165,641	21,782,719	21,311,825	8,071,097
Fiduciary	92,822	42,591	1,218	49,013
<b>Total</b>	<b>\$80,381,226</b>	<b>\$48,114,984</b>	<b>\$21,562,552</b>	<b>\$10,703,690</b>

2002 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,540,368	\$21,585,577	\$45,209
Debt Service	3,277,807	3,277,889	82
Capital Projects	35,650,000	35,654,350	4,350
Fiduciary	89,600	383,816	294,216
<b>Total</b>	<b>\$60,557,775</b>	<b>\$60,901,632</b>	<b>\$343,857</b>

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$24,065,183	\$21,263,726	\$501,156	\$2,300,301
Debt Service	4,006,595	3,528,176	0	478,419
Capital Projects	66,405,702	15,594,411	27,654,099	23,157,192
Fiduciary	0	91,174	14,546	(105,720)
<b>Total</b>	<b>\$94,477,480</b>	<b>\$40,477,487</b>	<b>\$28,169,801</b>	<b>\$25,830,192</b>

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

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as “Intergovernmental Receipts”. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such 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.

Another source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF) which is included in the financial statements as “Other Governments Grant-in-Aid. The LLGSF is allocated 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 any additional revenues the Library receives.



AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

5. **DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rates
Library Improvement Bonds - 1998A Series	\$31,485,000	4.40% - 5.0%
Library Improvement Bonds - 2002 Series	34,755,000	2.10% - 5.0%

The Library Board of Trustees authorized the issuance of \$80,000,000 Library Improvement Bonds in February, 1998. Bonds totaling \$45,000,000 were issued in March, 1998 and the remaining \$35,000,000 bonds were issued in August, 2002. These bonds are for the construction, renovation and/or repair of the main Library and various branches throughout Summit County.

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

	Principal	Interest
2004	\$2,860,000	\$2,855,840
2005	2,985,000 (a)	2,729,310
2006	3,000,000 (a)	2,713,830
2007	3,020,000	2,695,455
2008	3,145,000	2,571,170
Thereafter	51,230,000	17,327,550
Total	\$66,240,000	\$30,893,155

(a) These include capital appreciation bonds with original principal amounts of \$1,237,868 and \$1,141,402 and an effective yield of 4.6% and 4.7%, respectively. The principal amount shown represents the accreted value at the time of maturity.

As a result of issuing these bonds, the Library is subject to the Federal government requirements related to arbitrage rebates. The amount of rebate due to the Federal government, if any, is not presently determinable.

6. **RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their wages. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2003.

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

7. **RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Surety Bonds

The Library also provides health insurance to all full-time and most part-time employees through a private carrier.

8. **CONTINGENT LIABILITIES**

The Library is not a defendant in any lawsuits.

9. **SUBSEQUENT ACTIVITY**

In July, 2004, the Library Board of Trustees issued \$2 million in Tax Anticipation Notes, Series 2004, to provide for current expenses of the Library. The notes were issued in anticipation of the collection of proceeds, beginning in 2005, from the Library's six-year 1.4 mills property tax levy approved by the voters on March 2, 2004. The notes mature in 2009.

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

Board of Trustees  
Akron-Summit County Public Library, Summit County  
485 Canton Road  
Akron, OH 44312

We have audited the financial statements of Akron-Summit County Public Library, Summit County (the Library), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 2, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as Item 2003-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as Items 2003-02 and 2003-03.

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

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses. Also, we noted several matters involving the internal control over financial reporting that we have reported to management of the Library, in a separate letter dated June 2, 2005.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 2, 2005

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

**NONCOMPLIANCE CITATION**

**Finding Number 2003-001**

Section 117-2-02, Ohio Administrative Code, states that management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that:

- a. Recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, and
- b. All account balances and transactions that should be included in the financial records are included.

During our audit, we discovered a manual check in the amount of \$103,262 was disbursed but not recorded and investment activity relating to gains and losses (\$220,787 in losses and \$68,679 in gains for 2003 and \$600,778 in losses for 2002) on the sale of investments were not recorded in the accounting system.

We also noted entries into the accounting system that could not be supported with proper documentation.

**MATERIAL WEAKNESS**

**Finding Number 2003-002**

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Library's records at a specific point in time.

Without complete and accurate monthly bank reconciliations, the Library's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Library's management.

The former Finance Director prepared monthly a bank reconciliation which showed the balances by fund per the books and balances by bank account and investment. This reconciliation report showed that the books and the bank reconciled. The bank reconciliations were not reviewed by the former Clerk/Treasurer. The Finance Director did not provide any type of Statement of Cash Position to the Board and there is no evidence that the Statement of Cash Position was ever printed other than at year-end. Monthly financials provided to the Board included only revenues and expenditures and did not include fund balances.

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(CONTINUED)

If a Statement of Cash Position and a bank reconciliation had been provided to the Board, it would have reflected that the bank reconciliation was misrepresented because the book balances on the Reconciliation Report were not in agreement with the ledgers.

The Library should perform complete and accurate monthly bank reconciliations. Supporting documentation of the reconciliation including outstanding check list, Statement of Cash Position report, deposits in transit and any other reconciling item should be kept in a folder with the bank reconciliation report. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month-to-month. Also, an employee independent of cash receipt and disbursement activities should review the bank reconciliations for any unusual items and document their approval by initialing the form. This will significantly improve the system of checks and balances necessary for strong cash control.

**Finding Number 2003-003**

Unrecorded Activity

During a proof of cash test, we noted significant adjusting journal entries being made to the books of the Library. The adjusting journal entries did not have supporting documentation justifying the adjustment. The adjustments were made to the Building Fund and appear to have been made to bring the books of the Library in-line with the bank and investment balances. The following entries for which no support exists were made:

- December, 2002 - \$711,543 increase of expenditure as a posting correction to the Building Acquisition account.
- September, 2003 - \$40,543 reduction of expenditure as a posting correction to the Building Acquisition account.
- December, 2003 - \$192,034 posting correction increasing expenditures in the Professional Services account.

Also, during the proof of cash we noted major transactions that were not recorded in the books as follows:

2002

- A manual check written in June, 2002 for \$103,262 for construction costs..

AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS  
(CONTINUED)

- Investment losses from sale of investments approximating \$600,778.

2003

- Investment losses from sale of investments approximating \$220,787.
- Investment gains from sale of investments approximating \$68,679.

We recommend the following procedures to correct those weaknesses and provide accurate accounting records:

- Manual checks should not be prepared. If prepared, the recording of the transaction needs to be completed in a timely manner.
- When an investment is redeemed, a “memorandum entry” is recorded in the cash journal for the return of the initial investment, a receipt is issued for interest and gains earned and for any loss of the initial investment. The receipt is recorded in the cash journal and the receipt ledger and the redemption of the investment is recorded in the investment record.
- Segregation of duties needs to be set up for recording adjusting journal entries in the accounting system. Individuals responsible for preparing adjusting journal entries should have them authorized prior to entering into the system and the person entering the journal entries into the accounting system should not prepare or authorize the adjusting journal entry. Also, a listing of all journal entries entered in the system should be reviewed by someone independent of preparing and entering the adjusting journal entries.







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**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 20, 2005**