



**Auditor of State  
Betty Montgomery**



MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13
Schedule of Prior Audit Findings .....	17

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**Auditor of State  
Betty Montgomery**

Marion Lawrence Memorial Library  
Preble County  
15 E. Franklin Street  
Gratis, Ohio 45330

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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

July 27, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Marion Lawrence Memorial Library  
Preble County  
15 E. Franklin Street  
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the accompanying financial statements of Marion Lawrence Memorial Library, Preble County, Ohio (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 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 opinion.

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 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, 2005 and 2004, or its changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Marion Lawrence Memorial Library, Preble County, Ohio, as of December 31, 2005 and 2004, 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 years ended December 31, 2005 and 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 July 27, 2006, 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

July 27, 2006



**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Library & Local Government Support	\$61,244		\$61,244
Patron Fines and Fees	852		852
Earnings on Investments	1,727	\$2,115	3,842
	<u>63,823</u>	<u>2,115</u>	<u>65,938</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	27,015		27,015
Purchased and Contracted Services	13,660		13,660
Library Materials and Information	18,578		18,578
Supplies	6,595		6,595
Other	252		252
Capital Outlay	3,022	154,920	157,942
	<u>69,122</u>	<u>154,920</u>	<u>224,042</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(5,299)</u>	<u>(152,805)</u>	<u>(158,104)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		76,702	76,702
Transfers-Out	(76,702)		(76,702)
Other Financing Uses	(157)		(157)
	<u>(76,859)</u>	<u>76,702</u>	<u>(157)</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	<u>(82,158)</u>	<u>(76,103)</u>	<u>(158,261)</u>
Fund Cash Balances, January 1	<u>171,782</u>	<u>139,566</u>	<u>311,348</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$89,624</u></b>	<b><u>\$63,463</u></b>	<b><u>\$153,087</u></b>

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

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Library & Local Government Support	\$60,896		\$60,896
Patron Fines and Fees	1,045		1,045
Earnings on Investments	2,243	\$1,319	3,562
	<u>64,184</u>	<u>1,319</u>	<u>65,503</u>
Total Cash Receipts			
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	26,652		26,652
Purchased and Contracted Services	20,093		20,093
Library Materials and Information	19,315		19,315
Supplies	3,378		3,378
Other	1,979		1,979
Capital Outlay	7,130		7,130
	<u>78,547</u>	<u>0</u>	<u>78,547</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(14,363)</u>	<u>1,319</u>	<u>(13,044)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Fixed Assets	10		10
Other Financing Uses	(718)		(718)
	<u>(708)</u>	<u>0</u>	<u>(708)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,071)	1,319	(13,752)
Fund Cash Balances, January 1	<u>186,853</u>	<u>138,247</u>	<u>325,100</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$171,782</u></b>	<b><u>\$139,566</u></b>	<b><u>\$311,348</u></b>

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

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 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 Marion Lawrence Memorial Library, Preble County, Ohio (the Library), as a body corporate and politic. The Mayor of the Village of Gratis appoints a six-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources. The Library is a related organization to the Village of Gratis; see Note 7.

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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Deposits**

The Library values certificates of deposit at cost.

**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.

**2. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**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 DEPOSITS**

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

	2005	2004
Demand deposits	\$7,316	\$50,990
Certificates of deposit	145,771	260,358
Total deposits	\$153,087	\$311,348

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$67,000	\$63,823	(\$3,177)
Capital Projects	38,753	78,817	40,064
Total	\$105,753	\$142,640	\$36,887

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,502	\$145,981	\$56,521
Capital Projects	177,000	154,920	22,080
Total	\$379,502	\$300,901	\$78,601

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,788	\$64,194	\$3,406
Capital Projects	4,600	1,319	(3,281)
Total	\$65,388	\$65,513	\$125

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,200	\$79,265	\$26,935
Capital Projects	0	0	0
Total	\$106,200	\$79,265	\$26,935

**4. GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**5. 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, 2005.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Marion Lawrence Memorial Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**7. RELATED ORGANIZATION**

The Library is a related organization to the Village of Gratis. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Village represent a potential financial benefit or burden to the Library.

**8. COMPLIANCE**

The Library failed to correctly use the prescribed chart of accounts in 2004 and 2005 as required by Ohio Admin. Code, Section 117-9-01. Also, the Library did not properly record revenues or prior audit adjustments.

**9. SUBSEQUENT EVENTS**

On December 29, 2005, the Library Board entered into a service contract with the Library Clerk for complete care of the Library park grounds. The Clerk is to care for the grounds on a month-to-month basis and will be paid \$375 per month.

On October 27, 2005, the Library Clerk received an opinion from the Preble County Prosecuting Attorney's Office stating that "since you hold a public office [Clerk of the Library], and since you have informed me that it is your desire to continue holding said office, you would not be able, if elected, to hold a position on the Gratis Village Council if you also hold the office of Clerk-Treasurer of the Gratis Branch of the Preble County District Library." The Library Clerk was elected to the Village of Gratis Council, and took office on January 1, 2006, and as of July 27, 2006 still retains his position as the Clerk of the Library.



## 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*

Marion Lawrence Memorial Library  
Preble County  
15 E. Franklin Street  
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the financial statements of Marion Lawrence Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated July 27, 2006 wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-003.

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. 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Library's management dated July 27, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-003. In a separate letter to the Library's management dated July 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

July 27, 2006



**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Reportable Condition**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. Libraries using the Uniform Accounting Network (UAN) should refer to the Ohio Township Handbook when posting financial transactions.

The Library failed to correctly use the prescribed chart of accounts in 2004 and 2005. Beginning fund balances did not agree to prior year ending fund balances. The Library did not properly record revenues or prior audit adjustments. Numerous adjustments were needed to properly record the Library's fund balances and to properly classify the monies received in 2004 and 2005.

Failure to properly record revenues and fund balances can result in overspending funds and negative cash balances.

Beginning fund balances should match prior year ending fund balances. Investment income should be recorded as soon as received and compared to investment balances to ensure all activity has been recorded. Receipts and expenditures posted to the annual financial report should be consistently posted to funds and line items and should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt or expenditure has been properly posted. We recommend the Library follow the Uniform Accounting Network (UAN) Accounting Training Manual and the Library may use the Ohio Township Handbook as a guide for proper posting of activity.

**FINDING NUMBER 2005-002**

**Reportable Condition**

When designing the Library's system of internal control and the specific control activities, management should consider the following:

- Ensuring that accounting records are properly designed.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

The Library did not accurately reconcile its cash in 2004 and 2005. This process is comprised of taking the total of all bank and investment balances from which outstanding checks are subtracted, other adjustments considered (unrecorded interest income and deposits in transit are examples), and the resulting amount should agree with the Library's book/fund balances. This is to be done after the receipt of each bank statement.

**FINDING NUMBER 2005-002  
(Continued)**

The following discrepancies were discovered in the Auditor of State's review of the December 31, 2004 and December 31, 2005 reconciliations.

- The Library did not use the correct beginning fund balances for 2004 and 2005. Adjustments were made to the Library's 2004 financial statements to decrease the beginning fund balance in the General Fund by \$105,123 and to increase the Capital Projects Fund by \$132,436. An adjustment was made to the Library's 2005 financial statements to increase the beginning fund balance in the General Fund by \$3,129.
- Many of the balances listed on the cash reconciliation were incorrect when compared to confirmed balances from the banks. In total the investment balance for 2005 was understated by \$964 and for 2004 it was understated by \$1,366. Adjustments were made to correct these.
- When the Library closed out the money market account in 2004, the balance (\$29,571) was recorded as revenue rather than adjusting the investment and checking balances. An adjustment was made to correct this.
- The Library recorded the CD balances with US Bank at 12/31/05 at the current market value (\$144,807) rather than at the cost basis (\$145,008). The Library also failed to record the money market balance with US Bank at 12/31/05 (\$763). Adjustments were made to correct these.
- The Library failed to record \$3,004 in interest revenue in 2004. The Library over-recorded \$3,875 in interest revenue in 2005. Adjustments were made to correct these.

Accurate reconciling is one of the most basic and important internal controls. This allows the Library Trustees to make sound financial decisions. It also reduces the probability of Library money being misappropriated or posted for improper amounts.

We recommend that accurate bank reconciliations be performed after the receipt of each bank statement. Any differences must be investigated and resolved immediately. A Trustee independent of the reconciliation process should then review the reconciliation. This review should be documented by the reviewer signing and dating the reconciliation.

**FINDING NUMBER 2005-003**

**Noncompliance Citation/Reportable Condition**

As of July 27, 2006, the Library Clerk also holds the position of Village of Gratis Council member. The Clerk obtained an opinion from the Preble County Prosecuting Attorney's office regarding the compatibility of the two positions.

1979 Op. Atty. Gen. No. 79-111 identifies seven questions to be considered to determine whether a single person may hold the two positions about which a compatibility determination is sought. Of these seven questions, the Assistant Prosecuting Attorney's opinion found the dispositive one to be as follows: Do the empowering statutes of either position limit the outside employment permissible?

**FINDING NUMBER 2005-003  
(Continued)**

In analyzing this question, the Assistant Prosecuting Attorney's opinion provides that in regard to the qualifications of membership of village councils, Ohio Revised Code § 731.12 states that no member of the legislative authority shall hold any other public office. 1990 Op. Atty. Gen. No. 90-059 states that "the duties of the clerk-treasurer are prescribed by statute, R.C. 3375.36 through R.C. 3375.39, inclusive, and involve functions which are of a public nature. In the discharge of these functions, which involve the custody of and responsibility for all moneys received for library purposes, an individual holding the position of clerk-treasurer serves in a position of trust and is accountable to the public for his performance." Because the duties placed upon the Clerk by virtue of the statutes which govern the function of the position of Clerk-Treasurer of a County Library District, this position qualifies as a "public office." Therefore, the Assistant Prosecuting Attorney's opinion reaches the conclusion that since the Clerk holds a public office as Clerk-Treasurer of the Library, the Clerk should not hold a position on the Gratis Village Council, as the two are statutorily incompatible.

Failure to follow the Ohio Revised Code regarding holding the two public positions could result in a conflict of interest for the Clerk and could compromise the accuracy of the Library's financial statements. Village Council appoints the Library Trustees and the Library Trustees make the financial decisions of the Library, including the Clerk's salary.

We recommend the Clerk review the conclusions reached in the opinion of the Preble County Prosecuting Attorney's office. The Prosecutor's Office may also wish to solicit advice or a formal opinion from the Ohio Attorney General's Office regarding the compatibility of these positions.

We recommend the Library Trustees take into account the potential conflict of interest with the Clerk holding the two public positions and consider the possibility of appointing a different Clerk.

**Official's Response**

We did not receive a response from Officials to Findings 2005-001 through 2005-003.

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**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Ohio Admin. Code, Section 117-9-01, failure to properly record revenues and expenditures	No	Re-issued as a reportable condition in Finding 2005-001
2003-002	Failure to accurately reconcile cash	No	Re-issued as Finding 2005-002





**Auditor of State  
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**MARION LAWRENCE MEMORIAL LIBRARY**

**PREBLE 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  
AUGUST 10, 2006**