



Mary Taylor, CPA
Auditor of State

MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY

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Mary Taylor, CPA

Auditor of State

Mercer County District Library
Mercer County
303 North Main Street
Celina, Ohio 45822

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mercer County District Library
Mercer County
303 North Main Street
Celina, Ohio 45822

To the Board of Trustees:

We have audited the accompanying financial statements of Mercer County District Library, Mercer County, (the Library), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Mercer County District Library, Mercer County, as of December 31, 2006 and 2005, 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, 2006 and 2005. 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 May 21, 2007, 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.



Mary Taylor, CPA
Auditor of State

May 21, 2007

**MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$965,177			\$965,177
Patron Fines and Fees	11,065	\$4,204		15,269
Earnings on Investments	10,147	3,645	\$78	13,870
Contributions, Gifts and Donations		649		649
Miscellaneous Receipts	2,421	2,858		5,279
	<u>988,810</u>	<u>11,356</u>	<u>78</u>	<u>1,000,244</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	667,631			667,631
Purchased and Contracted Services	139,507	8,478		147,985
Library Materials and Information	84,094	168		84,262
Supplies	23,161			23,161
Other	225			225
Capital Outlay	58,871		1,095	59,966
	<u>973,489</u>	<u>8,646</u>	<u>1,095</u>	<u>983,230</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,321</u>	<u>2,710</u>	<u>(1,017)</u>	<u>17,014</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			100,000	100,000
Transfers-Out	(100,000)			(100,000)
	<u>(100,000)</u>		<u>100,000</u>	
Total Other Financing Receipts/(Disbursements)	<u>(100,000)</u>		<u>100,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(84,679)	2,710	98,983	17,014
Fund Cash Balances, January 1	<u>194,643</u>	<u>77,226</u>	<u>2,241</u>	<u>274,110</u>
Fund Cash Balances, December 31	<u>\$109,964</u>	<u>\$79,936</u>	<u>\$101,224</u>	<u>\$291,124</u>
Reserves for Encumbrances, December 31	<u>\$10,579</u>	<u>\$962</u>	<u>\$1,000</u>	<u>\$12,541</u>

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

**MERCER COUNTY DISTRICT LIBRARY
MERCER 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**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$962,582			\$962,582
Patron Fines and Fees	11,626	\$4,978		16,604
Earnings on Investments	6,468	2,279	\$65	8,812
Contributions, Gifts and Donations		1,561		1,561
Miscellaneous Receipts	24,743	2,652		27,395
Total Cash Receipts	<u>1,005,419</u>	<u>11,470</u>	<u>65</u>	<u>1,016,954</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	585,522			585,522
Purchased and Contracted Services	148,490	5,028		153,518
Library Materials and Information	76,410	649		77,059
Supplies	18,370			18,370
Other	3,798			3,798
Capital Outlay	165,100		180	165,280
Total Cash Disbursements	<u>997,690</u>	<u>5,677</u>	<u>180</u>	<u>1,003,547</u>
Total Cash Receipts Over/(Under) Cash Disbursements	7,729	5,793	(115)	13,407
Fund Cash Balances, January 1	<u>186,914</u>	<u>71,433</u>	<u>2,356</u>	<u>260,703</u>
Fund Cash Balances, December 31	<u>\$194,643</u>	<u>\$77,226</u>	<u>\$2,241</u>	<u>\$274,110</u>
Reserves for Encumbrances, December 31	<u>\$36,457</u>	<u>\$750</u>	<u>\$0</u>	<u>\$37,207</u>

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

**MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Mercer County District Library (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees appointed by the County Commissioners and the Common Pleas Court Judge. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. The common stock is valued at the fair value of the date of the donation to the Library.

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. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Nickel Trust Fund – This fund receives dividends from donated stock and revenue from copy machine fees that were purchased from this fund.

Friends of the Library – This fund accounts for receipts and expenditures of the Celina Library Friends group.

**MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Library had the following significant Capital Project fund:

Building & Repair Fund – This fund accumulates resources with transfers from the General Fund and donations to be used for expenditures relating to building projects.

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, object level of control.

A summary of 2006 and 2005 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 vacation 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:

	2006	2005
Demand deposits	\$8,129	\$55,408
STAR Ohio	282,387	218,094
Common stock (at cost, fair value was \$6,950 and \$6,622 at December 31, 2006 and 2005, respectively.)	608	608
Total investments	282,995	218,702
Total deposits and investments	\$291,124	\$274,110

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Stock is common stock registered in the Library's name.

**MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$965,149	\$988,810	\$23,661
Special Revenue	0	11,356	11,356
Capital Projects	0	100,078	100,078
Total	<u>\$965,149</u>	<u>\$1,100,244</u>	<u>\$135,095</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,123,334	\$1,084,068	\$39,266
Special Revenue	76,476	9,608	66,868
Capital Projects	2,242	2,095	147
Total	<u>\$1,202,052</u>	<u>\$1,095,771</u>	<u>\$106,281</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,008,600	\$1,005,419	(\$3,181)
Special Revenue	0	11,470	11,470
Capital Projects	0	65	65
Total	<u>\$1,008,600</u>	<u>\$1,016,954</u>	<u>\$8,354</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,187,566	\$1,034,147	\$153,419
Special Revenue	70,808	6,427	64,381
Capital Projects	2,356	180	2,176
Total	<u>\$1,260,730</u>	<u>\$1,040,754</u>	<u>\$219,976</u>

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.

**MERCER COUNTY DISTRICT LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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 9% in 2006 and 8.5 percent in 2005 of their gross salaries. The Library contributed an amount equal to 13.7% in 2006 and 13.55 percent in 2005 of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Mercer County District Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental and vision coverage to fully benefited employees through a private carrier.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Mercer County District Library
Mercer County
303 North Main Street
Celina, Ohio 45822

To the Board of Trustees:

We have audited the financial statements of Mercer County District Library, Mercer County, (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 21, 2007 wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Library's management in a separate letter dated May 21, 2007.

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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*.

We noted a certain noncompliance or other matter that we reported to the Library's management in a separate letter dated May 21, 2007.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 21, 2007



Mary Taylor, CPA
Auditor of State

MERCER COUNTY DISTRICT LIBRARY

MERCER 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
JULY 3, 2007**