



**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008-2007



Mary Taylor, CPA
Auditor of State

MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY

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Mary Taylor, CPA
Auditor of State

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 15, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2008 and 2007. 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.

GAAP require presenting entity wide statements and also presenting the Library's 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 GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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, 2008 and 2007 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, 2008 and 2007, 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 fund cash balances of Mount Gilead Public Library, Morrow County, Ohio, as of December 31, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 15, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

October 15, 2009

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Library and Local Government Support	\$ 278,154	\$ -	\$ 278,154
Patron Fines and Fees	12,411	-	12,411
Earnings on Investments	23,473	-	23,473
Contributions, Gifts and Donations	31,342	-	31,342
Rent	1,675	-	1,675
Miscellaneous	344	-	344
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	347,399	-	347,399
Cash Disbursements:			
Current:			
Salaries & Benefits	230,556	-	230,556
Purchased and Contractual Services	83,782	-	83,782
Library Materials and Information	51,308	-	51,308
Supplies	5,803	-	5,803
Other	3,218	-	3,218
Capital Outlay	2,114	37,762	39,876
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	376,781	37,762	414,543
Total Receipts Under Disbursements	(29,382)	(37,762)	(67,144)
Fund Cash Balances, January 1	547,324	207,937	755,261
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 517,942</u>	<u>\$ 170,175</u>	<u>\$ 688,117</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Library and Local Government Support	\$ 282,717	\$ -	\$ 282,717
Patron Fines and Fees	11,617	-	11,617
Earnings on Investments	39,436	-	39,436
Contributions, Gifts and Donations	3,141	-	3,141
Rent	7,000	-	7,000
Miscellaneous	1,089	-	1,089
	<u>345,000</u>	<u>-</u>	<u>345,000</u>
Cash Disbursements:			
Current:			
Salaries & Benefits	226,005	-	226,005
Purchased and Contractual Services	92,166	25,747	117,913
Library Materials and Information	55,540	-	55,540
Supplies	6,209	-	6,209
Other	3,944	-	3,944
Capital Outlay	2,873	-	2,873
	<u>386,737</u>	<u>25,747</u>	<u>412,484</u>
Total Receipts Under Disbursements	(41,737)	(25,747)	(67,484)
Fund Cash Balances, January 1	<u>589,061</u>	<u>233,684</u>	<u>822,745</u>
Fund Cash Balances, December 31	<u>\$ 547,324</u>	<u>\$ 207,937</u>	<u>\$ 755,261</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Mount Gilead Public Library, Morrow County, Ohio, (the Library) as a body corporate and politic. The Library is governed by a self-appointed nine-member Board of Trustee. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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. Deposits and Investments

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

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 reports 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 (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

Building Fund – This fund is used for building, acquisition, and improvements.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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 2008 and 2007 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 Deposits and Investments

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

	2008	2007
Demand deposits	\$144,273	\$124,266
Certificates of deposit	286,613	274,338
Total deposits	430,886	398,604
STAR Ohio	257,231	356,657
Total deposits and investments	\$688,117	\$755,261

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 that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,919	\$347,399	\$62,480
Capital Projects	0	0	0
Total	\$284,919	\$347,399	\$62,480

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$729,925	\$376,781	\$353,144
Capital Projects	221,000	37,762	183,238
Total	\$950,925	\$414,543	\$536,382

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$282,717	\$345,000	\$62,283
Capital Projects	0	0	0
Total	\$282,717	\$345,000	\$62,283

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$726,925	\$386,737	\$340,188
Capital Projects	211,000	25,747	185,253
Total	\$937,925	\$412,484	\$525,441

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 Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Library contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2008.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. Library Building Debt/Subsequent Events

On April 29, 1999, the Mount Gilead Exempted Village School District issued \$1,400,000 in General Obligation Library Improvement Bonds for the construction of a new library facility. The School District is fully responsible for making principal and interest payments on the bonded debt from the tax levy proceeds.

On November 7, 2001, the Mount Gilead Exempted Village School District requested and received \$28,252 from the Library to aid in the December 1, 2001 principal and interest payment on the Library's building debt owed and payable from tax collections. The School District had received insufficient property tax collections to make this payment. In 2009, the School repaid the Library for the funds received in 2001.



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*

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Library Board of Trustees:

We have audited the financial statements of the Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated October 15, 2009, 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

October 15, 2009

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2008-001

Accuracy of Annual Reports - Noncompliance Citation/Significant Deficiency

Ohio Rev. Code 117.38 states; each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain the following: amount of collections and receipts, and accounts due from each source and amount of expenditures for each purpose.

The Library prepared annual reports for 2007 and 2008, however, amounts did not agree to the Library ledgers or supporting documentation. The Library's Treasurer has difficulty using, maintaining and reconciling activity and balances recorded in Quickbooks, the accounting software utilized by the Library.

As a result, the Auditor of State declared the Library unauditible for fiscal years 2007 and 2008 due to inaccuracies identified in the accounting records and lack of accurate monthly bank reconciliations. The Library subsequently obtained assistance to provide accurate financial information for audit.

Failure to maintain accurate monthly reconciliations between accounting and bank activity can lead to irregularities, overspending or negative balances and trends that go undisclosed or are not identified by the Board or Director in a timely manner.

The Board should develop policies to ensure the monthly review of accounting activity and monthly bank reconciliations by someone independent of the Library's Treasurer who performs all accounting functions. If necessary, the Board should review the viable use of the current accounting software utilized by the Library.

Additionally, the Library should review the annual financial report prior to sending to the Auditor of State's office.

Officials' Response:

The Library is exploring the use of the Auditor of State Uniform Accounting Network software. On November 11, 2009, the Board passed a resolution to have the policy and procedures committee develop policies that will ensure that someone other than the treasurer will review the accounting reports and bank reconciliations.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code 3375.391 – Allocation of Interest among Funds	Yes	
2006-002	Financial Reporting	No	Partially corrected; portions repeated in finding 2008-001



Mary Taylor, CPA
Auditor of State

MOUNT GILEAD PUBLIC LIBRARY

MORROW 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
DECEMBER 1, 2009**