

**MOUNT STERLING PUBLIC LIBRARY
MADISON COUNTY
Regular Audit
December 31, 2008 and 2007**

***Perry & Associates*
Certified Public Accountants, A.C.**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Mt. Sterling Public Library
60 West Columbus Street
Mt. Sterling, Ohio 43143

We have reviewed the *Independent Accountants' Report* of the Mt. Sterling Public Library, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Mt. Sterling Public Library is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 21, 2009

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**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

March 16, 2009

Mt. Sterling Public Library
Madison County
60 West Columbus Street
Mt Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statements of **Mt. Sterling Public Library, Madison 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.

Instead of the combined funds the accompanying financial statements present, 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 their 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 of Mt. Sterling Public Library, Madison County, as of December 31, 2008 and 2007, 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, 2008 and 2007.

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 March 16, 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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Library and Local Government Support	\$ 227,993	\$ -	\$ -	\$ -	\$ 227,993
Patron Fines and Fees	4,058	-	-	-	4,058
Contributions, Gifts and Donations	4,378	100	-	-	4,478
Earnings on Investments	5,124	-	-	24	5,148
Miscellaneous	14,873	-	25	-	14,898
	<u>256,426</u>	<u>100</u>	<u>25</u>	<u>24</u>	<u>256,575</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Salaries	96,284	-	-	-	96,284
Employee Fringe Benefits	15,684	-	-	-	15,684
Purchased and Contractual Services	60,295	-	-	-	60,295
Library Materials and Information	25,169	-	-	-	25,169
Supplies	5,697	-	-	-	5,697
Other	4,298	-	-	-	4,298
Capital Outlay	4,857	-	-	-	4,857
	<u>212,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,284</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>44,142</u>	<u>100</u>	<u>25</u>	<u>24</u>	<u>44,291</u>
Fund Cash Balances, January 1	<u>211,394</u>	<u>50</u>	<u>1,579</u>	<u>640</u>	<u>213,663</u>
Fund Cash Balances, December 31	<u>\$ 255,536</u>	<u>\$ 150</u>	<u>\$ 1,604</u>	<u>\$ 664</u>	<u>\$ 257,954</u>

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

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Library and Local Government Support	\$ 231,733	\$ -	\$ -	\$ -	\$ 231,733
Patron Fines and Fees	4,915	-	-	-	4,915
Contributions, Gifts and Donations	5,967	50	-	-	6,017
Earnings on Investments	11,723	-	-	71	11,794
Miscellaneous	48,294	-	-	-	48,294
	<u>302,632</u>	<u>50</u>	<u>-</u>	<u>71</u>	<u>302,753</u>
Cash Disbursements:					
Current:					
Salaries	122,147	-	-	-	122,147
Employee Fringe Benefits	34,822	-	-	-	34,822
Purchased and Contractual Services	56,240	-	-	-	56,240
Library Materials and Information	43,053	-	-	-	43,053
Supplies	6,745	-	-	-	6,745
Other	5,489	-	857	-	6,346
Capital Outlay	14	-	-	-	14
	<u>268,510</u>	<u>-</u>	<u>857</u>	<u>-</u>	<u>269,367</u>
Total Receipts Over/(Under) Disbursements	<u>34,122</u>	<u>50</u>	<u>(857)</u>	<u>71</u>	<u>33,386</u>
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	-	-	993	-	993
Other Financing Sources	2,230	-	-	-	2,230
	<u>2,230</u>	<u>-</u>	<u>993</u>	<u>-</u>	<u>3,223</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	36,352	50	136	71	36,609
Fund Cash Balances, January 1 (restated see Note #2)	<u>175,042</u>	<u>-</u>	<u>1,443</u>	<u>569</u>	<u>177,054</u>
Fund Cash Balances, December 31	<u>\$ 211,394</u>	<u>\$ 50</u>	<u>\$ 1,579</u>	<u>\$ 640</u>	<u>\$ 213,663</u>

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

**MT. STERLING PUBLIC LIBRARY
MADISON 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 Mt. Sterling Public Library, Madison County, (the Library) as a body corporate and politic. The Board of Trustees appoints a seven-member Board to govern the Library. The Library provides the community with various educational and literary resources.

On September 8, 2005, the members of the Board of Library Trustees also became the members of the Board of Trustees of the Mt. Sterling Community Museum. The Mt. Sterling Community Museum (Museum) is a legally separate entity. The Mt. Sterling Community Museum is a component unit of the Mt Sterling Public Library.

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 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. 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 prescribed or permitted by the Auditor of State.

C. Cash 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.

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.

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for restricted receipts contributed by individuals.

Special Revenue Vincent Fund was established to receive donations from this individual for specific expenditures.

3. Capital Projects Funds

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

Capital Improvement Fund was established to receive monies to purchase real estate to allow for future expansion of the Library facility.

4. Permanent Funds (Trust Funds)

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant permanent fund:

Taylor Trust Fund was established by an estate trust agreement. The Library was given \$500 as the corpus of a trust. Interest earned on this investment is to be used for the purchase of books or music at the discretion of the Board of Library Trustees, as specified in the trust agreement.

E. Budgetary Process

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

A summary of 2008 and 2007 budgetary activity appears in Note 6.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

G. Accumulated Leave

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

2. PRIOR PERIOD RESTATEMENT

For the year ended December 31, 2006 an adjustment resulted in fund balance restatement.

Governmental Funds	Fund Balances at December 31, 2006	Budgetary Expenditures	Fund Balances at January 1, 2007
General	\$174,461	\$581	\$175,042
Permanent	641	(72)	\$569

The change in Fund balance for the General Fund is a result of outstanding checks voided from the prior audit period. The change in Fund balance for the Permanent Fund is the result of adjustments during the prior audit not made by the Library's Fiscal Officer.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$ 46,176	\$ 6,997
Certificates of deposit	211,778	206,666
Total deposits	<u>\$ 257,954</u>	<u>\$ 213,663</u>

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

4. RETIREMENT SYSTEMS

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.

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

5. 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.

6. BUDGETARY ACTIVITY

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 257,076	\$ 256,426	\$ (650)
Special Revenue	100	100	-
Capital Projects	25	25	-
Permanent Fund	24	24	-
Total	<u>\$ 257,225</u>	<u>\$ 256,575</u>	<u>\$ (650)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 296,227	\$ 212,284	\$ 83,943
Total	<u>\$ 296,227</u>	<u>\$ 212,284</u>	<u>\$ 83,943</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 302,014	\$ 304,862	\$ 2,848
Special Revenue	100	50	(50)
Capital Projects	993	993	-
Permanent	90	71	(19)
Total	<u>\$ 303,197</u>	<u>\$ 305,976</u>	<u>\$ 2,779</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 321,839	\$ 268,510	\$ 53,329
Capital Projects	857	857	-
Total	<u>\$ 322,696</u>	<u>\$ 269,367</u>	<u>\$ 53,329</u>

**MT. STERLING PUBLIC LIBRARY
MADISON COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Perry & Associates
Certified Public Accountants, A.C.

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

March 16, 2009

Mt. Sterling Public Library
Madison County
60 West Columbus Street
Mt Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statements of **Mt. Sterling Public Library, Madison County, Ohio** (the Library) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated March 16, 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.

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.

Mt. Sterling Public Library
Madison County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Internal Control Over Financial Reporting (Continued)

We noted certain matters that we reported to the Library's management in a separate letter dated March 16, 2009

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*.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**MT. STERLING PUBLIC LIBRARY
MADISON 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	FFR Payroll Expenses	Yes	Repaid under prior audit
2006-002	Expenditures exceeding Appropriations	Yes	Corrected
2006-003	ORC 135.18 Security of deposits	Yes	Corrected
2006-004	Board approval of Transfers and Advances	Yes	Finding no longer valid
2006-005	Monitoring of Financial Activity	No	Partially: To Management Letter



Mary Taylor, CPA
Auditor of State

MT. STERLING PUBLIC LIBRARY

MADISON 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
JUNE 4, 2009**