

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010-2009



Dave Yost • Auditor of State

MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY

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Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 24, 2011

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Dave Yost • 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, 2010 and 2009. 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(A) mandates 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.

Instead of the 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, 2010 and 2009 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, 2010, or its changes in financial position or 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, 2010 and 2009, 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 June 24, 2011, 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.



Dave Yost
Auditor of State

June 24, 2011

**MT. GILEAD FREE PUBLIC LIBRARY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Library and Local Government Support	\$ 212,734.67	\$ -	\$ 212,734.67
Patron Fines and Fees	8,814.78	-	8,814.78
Contributions, Gifts and Donations	6,202.03	-	6,202.03
Earnings on Investments	1,356.32	-	1,356.32
Miscellaneous	6,570.52	-	6,570.52
	<u>235,678.32</u>	<u>-</u>	<u>235,678.32</u>
Cash Disbursements:			
Current:			
Salaries	124,719.76	-	124,719.76
Employee Fringe Benefits	22,755.36	-	22,755.36
Purchased and Contractual Services	76,390.26	-	76,390.26
Library Materials and Information	26,368.40	-	26,368.40
Supplies	4,846.78	-	4,846.78
Other	2,845.90	-	2,845.90
Capital Outlay	520.34	8,777.83	9,298.17
	<u>258,446.80</u>	<u>8,777.83</u>	<u>267,224.63</u>
Total Receipts Under Disbursements	<u>(22,768.48)</u>	<u>(8,777.83)</u>	<u>(31,546.31)</u>
Other Financing Receipts:			
Sale of Fixed Assets	60,708.12	-	60,708.12
	<u>60,708.12</u>	<u>-</u>	<u>60,708.12</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	37,939.64	(8,777.83)	29,161.81
Fund Cash Balance, January 1	<u>562,709.00</u>	<u>158,328.00</u>	<u>721,037.00</u>
Fund Cash Balance, December 31	<u><u>\$ 600,648.64</u></u>	<u><u>\$ 149,550.17</u></u>	<u><u>\$ 750,198.81</u></u>

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

**MT. GILEAD FREE PUBLIC LIBRARY
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Library and Local Government Support	\$ 233,138.00	\$ -	\$ 233,138.00
Patron Fines and Fees	13,213.00	-	13,213.00
Contributions, Gifts and Donations	103,651.00	-	103,651.00
Rent	6,550.00	-	-
Earnings on Investments	1,571.00	-	1,571.00
Miscellaneous	31,603.00	-	31,603.00
	<u>389,726.00</u>	<u>-</u>	<u>389,726.00</u>
Cash Disbursements:			
Current:			
Salaries	177,355.00	-	177,355.00
Employee Fringe Benefits	31,595.00	-	31,595.00
Purchased and Contractual Services	84,369.00	-	84,369.00
Library Materials and Information	38,107.00	-	38,107.00
Supplies	5,860.00	-	5,860.00
Other	4,099.00	11,847.00	15,946.00
Capital Outlay	3,578.00	-	3,578.00
	<u>344,963.00</u>	<u>11,847.00</u>	<u>356,810.00</u>
Total Receipts Over/(Under) Disbursements	44,763.00	(11,847.00)	32,916.00
Fund Cash Balance, January 1	<u>517,946.00</u>	<u>170,175.00</u>	<u>688,121.00</u>
Fund Cash Balance, December 31	<u><u>\$ 562,709.00</u></u>	<u><u>\$ 158,328.00</u></u>	<u><u>\$ 721,037.00</u></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, 2010 AND 2009**

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 Trustees. 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.

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 capital project funds:

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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.

A summary of 2010 and 2009 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:

	2010	2009
Demand deposits	\$503,933	\$472,843
STAR Ohio	246,266	248,194
Total deposits and investments	\$750,199	\$721,037

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 [End of Years Audited] follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$376,820.00	\$258,446.00	\$118,374
Capital Projects	\$161,000.00	\$8,778.00	152,222
Total	\$537,820	\$267,224	\$270,596

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$719,925	\$344,963	\$374,962
Capital Projects	201,000	11,847	189,153
Total	\$920,925	\$356,810	\$564,115

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 County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

5. 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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2010.

6. Risk Management

Through December 31, 2010, the Library belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio Governments ("Members"). The Plan was legally separate from its member Governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) – formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen (14) appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the members exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Library participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen (17) appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 60 members as of December 31, 2009. The Library does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	\$6,323,701	\$105,185	\$6,428,886	\$5,184,333

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.



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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 Board of Trustees:

We have audited the financial statements of Mount Gilead Public Library, Morrow County, Ohio (the Library) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 24, 2011, wherein we noted the Library followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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 Township 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(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider material weakness.

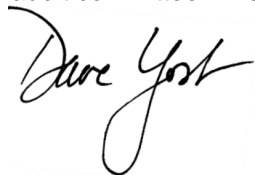
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated June 24, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 24, 2011

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Financial Statement Presentation/Material Weakness

In 2010 the Library began using the Uniform Accounting Network (UAN) for their accounting software system. The Director/Fiscal Officer did not enter the correct beginning balances for 2010 into the UAN system.

In the General fund the Director/Fiscal Officer recorded \$549,955 as a beginning balance in UAN. However, the ending balance from the 2009 report was \$562,709 for a total difference of \$12,754. The Director/Fiscal Officer misclassified \$12,612 of this to the Capital Projects beginning fund balance instead of the General fund; resulting in an overstatement of the General Fund balance and understatement to the Capital Projects Fund. Also included in the difference in the General Fund is \$135 for petty cash that wasn't recorded in the UAN system when the Library switched their accounting software system. The remaining difference of \$7 is due to rounding of reports through the years and is deemed immaterial.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Library's financial statements.

Not correctly posting the beginning fund balances resulted in the financial statements requiring adjusting entries; furthermore, inaccurate accounting records could make it difficult for the Board of Trustees to effectively manage and budget for the Library's activities, including budgetary totals posted to the Library's ledgers.

We recommend the Library's Director/Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Library can reduce posting errors and increase the reliability of the financial data throughout the year.

We also recommend the Library implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

The Library's financial statements and accounting system have been adjusted to accurately reflect the proper line item classifications.

Official's Response:

We did not receive a response from Official's to the finding reported above.

MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Accuracy of Annual Reports	No	Repeated as finding 2010-001



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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
AUGUST 2, 2011**