



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARY LOU JOHNSON DISTRICT LIBRARY
HARDIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Mary Lou Johnson District Library
Hardin County
325 E. Columbus Street
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of the Mary Lou Johnson District Library, Hardin County (the "Library"), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management and Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 11, 2002

**MARY LOU JOHNSON DISTRICT LIBRARY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$611,261			\$611,261
Patron Fines and Fees	17,725			17,725
Earnings on Investments	17,531	10,715	123,248	151,494
Contributions, Gifts and Donations	28,192		100	28,292
Miscellaneous Receipts	5,220			5,220
Total Cash Receipts	<u>679,929</u>	<u>10,715</u>	<u>123,348</u>	<u>813,992</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	324,805			324,805
Supplies	23,990			23,990
Purchased and Contracted Services	97,506		5,200	102,706
Library Materials and Other Information	147,649			147,649
Other Objects	5,524			5,524
Capital Outlay	104,064		228,250	332,314
Total Cash Disbursements	<u>703,538</u>	<u>0</u>	<u>233,450</u>	<u>936,988</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(23,609)	10,715	(110,102)	(122,996)
Fund Cash Balances, January 1	201,968	168,632	1,653,001	2,023,601
Fund Cash Balances, December 31	<u>\$178,359</u>	<u>\$179,347</u>	<u>\$1,542,899</u>	<u>\$1,900,605</u>

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

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Other Government Grants-In-Aid	598,067			598,067
Patron Fines and Fees	20,878			20,878
Earnings on Investments	20,821	7,582	46,784	75,187
Contributions, Gifts and Donations	11,073		950	12,023
Miscellaneous Receipts	6,726			6,726
Total Cash Receipts	657,565	7,582	47,734	712,881
Cash Disbursements:				
Current:				
Salaries and Benefits	295,889			295,889
Supplies	27,145			27,145
Purchased and Contracted Services	91,277		35,302	126,579
Library Materials and Information	164,796			164,796
Other Objects	6,054			6,054
Capital Outlay	25,512			25,512
Total Cash Disbursements	610,673	0	35,302	645,975
Total Cash Receipts Over Cash Disbursements	46,892	7,582	12,432	66,906
Other Financing Receipts:				
Proceeds of Sale of Stock			852,145	852,145
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	46,892	7,582	864,577	919,051
Fund Cash Balances, January 1	155,076	161,050	788,424	1,104,550
Fund Cash Balances, December 31	\$201,968	\$168,632	\$1,653,001	\$2,023,601

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

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Mary Lou Johnson District Library, Hardin County, (the "Library"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees of which four are appointed by the County Commissioners and three are appointed by the Hardin County Common Pleas 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The cost or fair value at the time of donation of investments is included in the cash fund balance for the cash basis of accounting. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and common stock are valued at cost or fair value when donated.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects except those financed through trust funds. The Library had one generic capital project fund which is accumulating resources for future capital improvements.

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant fiduciary fund: The Johnson Trust Fund is comprised of donated securities and their accumulated interest and dividends. The trust principal and interest and dividends may be used for library operations.

E. Budgetary Process

The Ohio Administrative Code requires budgeting for each fund annually.

1. Appropriations

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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the cash basis of accounting.

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$279,309	\$328,578
Certificates of deposit	1,381,869	1,455,596
Total deposits	1,661,178	1,784,174
Common stock (at cost, fair value was \$2,723,274 and \$2,912,132 at December 31, 2001 and 2000, respectively.)	239,427	239,427
Total investments	239,427	239,427
Total deposits and investments	\$1,900,605	\$2,023,601

Investments: At December 31, 2001 and 2000, the Library held \$239,427 in equity securities. Such securities are not eligible investments for the Library to purchase under Ohio Law, however, these investments were donated to the Library. Securities are held by Edward Jones in the name of the Library.

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Library, or (3) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$668,595	\$679,929	\$11,334
Capital Projects	57,500	10,715	(46,785)
Fiduciary	96,000	123,348	27,348
Total	\$822,095	\$813,992	(\$8,103)

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$870,554	\$703,538	\$167,016
Capital Projects	0	0	0
Fiduciary	275,000	233,450	41,550
Total	\$1,145,554	\$936,988	\$208,566

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$611,744	\$657,565	\$45,821
Capital Projects	32,500	7,582	(24,918)
Fiduciary	64,000	899,879	835,879
Total	\$708,244	\$1,565,026	\$856,782

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$766,811	\$610,673	\$156,138
Capital Projects	0	0	0
Fiduciary	42,840	35,302	7,538
Total	\$809,651	\$645,975	\$163,676

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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 Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

**MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEM (Continued)

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Library has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Mary Lou Johnson District Library has obtained commercial insurance for the following risks:

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

7. RELATED PARTY TRANSACTIONS

The Library purchased supplies in the amount of \$352 and \$526 during 2001 and 200, respectively, from a local company which is owned by a board member.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Mary Lou Johnson District Library
Hardin County
325 E. Columbus Street
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of the Mary Lou Johnson District Library, Hardin County (the "Library"), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated July 11, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated July 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-00233-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated July 11, 2002.

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 11, 2002

**MARY LOU JOHNSON DISTRICT LIBRARY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-00233-001

Reportable Condition

Leave Accumulation and Usage, and Employee Handbook

One employee utilized sick leave in excess of the accumulated balances during both 2001 and 2000. This employee "logged" hours to make up for the excesses used, however, this list was not approved by any supervisor. In addition, some days "logged" to make up time were in the middle of other sick days that were charged as leave time. Library personnel have indicated that this employee was allowed to make up hours by working at home. Also, two employees utilized vacation time before it was earned.

There is no provision in the employee manual to allow employees to utilize leave time before it is earned. In addition, there is no provision in the employee manual to allow employees to work at home. Allowing employees to work at home eliminates the supervisor's ability to oversee work and hours for which the Library is paying, and failure to obtain supervisory approval for make up hours could potentially lead to payments being made for services not performed. Paying for hours worked at home when the employee was sick the day before and the day after could result in payments being made for services not performed. Failure to consistently apply the policies and procedures to each employee could subject the Library to litigation.

The Library should review the practices of employees and their supervisors and determine whether supervisors are properly enforcing the procedures outlined in the Employee Handbook and complying with the internal controls established by the Board. The policies and procedures outlined in the Employee Handbook should be consistently applied to all employees.



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OFFICE OF THE AUDITOR

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MARY LOU JOHNSON DISTRICT LIBRARY

HARDIN 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 6, 2002**