



**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne County Public Library
Wayne County
304 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited the accompanying financial statements of the Wayne County Public Library, Wayne County, Ohio, (the Library) as of and for the year ended December 31, 2001. 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 generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27 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 Finance/Audit Committee, management, 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", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 27, 2002

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
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:				
Property and Other Local Taxes	\$1,330,088			\$1,330,088
Government Grants-In-Aid	3,985,431			3,985,431
Patron Fines and Fees	162,612			162,612
Earnings on Investments	77,258	\$171,337	\$47	248,642
Contributions, Gifts and Donations	58,003		10	58,013
Miscellaneous	25,332			25,332
Total Cash Receipts	5,638,724	171,337	57	5,810,118
Cash Disbursements:				
Current:				
Salaries and Benefits	3,105,328			3,105,328
Supplies	110,683			110,683
Purchased and Contracted Services	642,840	172,639		815,479
Library Materials and Information	763,196		38	763,234
Other Objects	19,193			19,193
Capital Outlay	197,151	171,033		368,184
Total Cash Disbursements	4,838,391	343,672	38	5,182,101
Total Cash Receipts Over/(Under) Cash Disbursements	800,333	(172,335)	19	628,017
Fund Cash Balances, January 1	1,397,958	3,921,826	1,044	5,320,828
Fund Cash Balances, December 31	<u>\$2,198,291</u>	<u>\$3,749,491</u>	<u>\$1,063</u>	<u>\$5,948,845</u>
Reserves for Encumbrances, December 31	<u>\$277,032</u>	<u>\$7,572</u>	<u>\$47</u>	<u>\$284,651</u>

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

WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Nonexpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$5,165
Operating Cash Disbursements:	
Current:	
Library Materials and Information	<u>26</u>
Operating Income	5,139
Fund Cash Balances, January 1	<u>114,223</u>
Fund Cash Balances, December 31	<u><u>\$119,362</u></u>
Reserves for Encumbrances, December 31	<u><u>\$100</u></u>

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

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Wayne County Public Library, Wayne 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: four are appointed by the Wayne County Commissioners and three are appointed by the Wayne County Common Pleas Court Judges. 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. 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

Investments are included in the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Certificates of deposit and repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer).

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 Projects 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 enterprise or trust funds). The Library has the following significant Capital Projects Fund:

Building and Repair Fund – This fund uses interest earnings for various construction and building repairs.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (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 has the following significant fiduciary funds:

Amy Hagelin Memorial Fund – This expendable trust fund is used to account for a bequest that is used to purchase special books and other items for the library.

Patricia Bradford Memorial Fund – This nonexpendable trust fund is used to account for a bequest. The earnings are used solely for the purchase of library books for the Main and Rittman Branches of the Wayne County Public Library.

E. Budgetary Process

The Board must annually approve the appropriation measure and subsequent amendments. Unencumbered 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 2001 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. Unpaid Vacation and Sick Leave

In certain circumstances, employees are entitled to cash payments for unused vacation and sick leave, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Library.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2001 follows:

Demand deposits	(\$84,266)
Certificates of deposit	<u>2,167,353</u>
Total deposits	<u>2,083,087</u>
STAR Ohio	2,181,647
Repurchase agreement	<u>1,803,473</u>
Total investments	<u>3,985,120</u>
Total deposits and investments	<u><u>\$6,068,207</u></u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Contrary to Ohio Rev. Code Section 135.22, the Clerk-Treasurer did not attend annual investment continuing education training.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

Fund Type	2001 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$5,918,433	\$5,638,724	(\$279,709)
Capital Projects	1,141,425	171,337	(970,088)
Fiduciary	<u>6,108</u>	<u>5,222</u>	<u>(886)</u>
Total	<u><u>\$7,065,966</u></u>	<u><u>\$5,815,283</u></u>	<u><u>(\$1,250,683)</u></u>

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,865,608	\$5,115,423	\$750,185
Capital Projects	1,656,000	351,244	1,304,756
Fiduciary	3,600	211	3,389
Total	\$7,525,208	\$5,466,878	\$2,058,330

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF), which is included in Government Grants-In-Aid. 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 any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Governments Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

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.

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. The Library has paid all contributions required through December 31, 2001.

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental coverage to full time employees through a private carrier.

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

Wayne County Public Library
Wayne County
304 North Market Street
Wooster, Ohio 44691

To the Board of Trustees:

We have audited the accompanying financial statements of the Wayne County Public Library, Wayne County, Ohio, (the Library) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 27, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-00985-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated September 27, 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. The reportable condition is described in the accompanying Schedule of Findings as item 2001-00985-002.

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 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 September 27, 2002.

This report is intended solely for the information and use of the Finance/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

September 27, 2002

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-00985-001

Noncompliance

Ohio Rev. Code Section 135.22 requires the Clerk-Treasurer to complete annual continuing education provided by the Treasurer of State. Without such training, the Clerk-Treasurer is limited to investments in interim deposits, no-load money market mutual funds and STAR Ohio.

During 2001, the Clerk-Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State, but still invested approximately 30% of the Library's funds at December 31, 2001 in repurchase agreements purchased through the Library's overnight investment sweep account managed by their bank. The Clerk-Treasurer should either attend continuing education programs or limit the Library's investments to those permitted by law without training. The Board should monitor the Clerk-Treasurer to ensure she completes the annual continuing education programs as required by Ohio Rev. Code Section 135.22.

FINDING NUMBER 2001-00985-002

Material Weakness

Throughout the year, the Library's cash was not reconciled properly due to unidentified and unreconcilable differences. Such differences were a result of a number of factors such as payroll liabilities being improperly recorded in the wrong month, payroll tax differences, etc. These error primarily resulted from computer software problems while implementing a new computer system during the year. These differences ranged from \$706 as of December 31, 2001 to almost \$50,000 during the year.

Without complete and accurate monthly bank reconciliations, the Library's internal controls are weakened, which could hinder the detection of errors or irregularities by the Library's management in a timely manner.

The Clerk-Treasurer should prepare accurate, reliable monthly bank reconciliations to help ensure that all financial transactions are reflected and that errors and irregularities may be detected in a timely manner. All errors in various recordkeeping procedures should be addressed and corrected as soon as possible in order to minimize unsupported differences in the Library's monthly bank reconciliations. In addition, the bank reconciliations should be reviewed by the Board of Trustees monthly. This review should be documented on the reconciliation and in the minutes. This will help ensure accuracy among the Library's records from month to month and help ensure that all pertinent information has been reviewed and approved.

We also reported a similar matter in the management letter in our December 31, 2000, audit of the financial statements.



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WAYNE COUNTY PUBLIC LIBRARY

WAYNE 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
NOVEMBER 7, 2002**