

**MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Marvin Memorial Library  
29 West Whitney Avenue  
Shelby, Ohio 44875

We have reviewed the *Independent Auditor's Report* of the Marvin Memorial Library, Richland County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Auditor's 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 Auditor's 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 Marvin Memorial Library is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 31, 2006

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**MARVIN MEMORIAL LIBRARY, OHIO  
RICHLAND COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Marvin Memorial Library, Richland County  
29 West Whitney Avenue  
Shelby, OH 44875

We have audited the accompanying financial statements of Marvin Memorial Library, Richland County (the Library), as of and for the years ended December 31, 2005 and December 31, 2004. 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 that 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 Audits 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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 this non-GAAP basis is in the second following paragraph.

## **INDEPENDENT AUDITOR'S REPORT** (continued)

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 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, combined fund cash balances and reserves for encumbrances of Marvin Memorial Library, Richland County, as of December 31, 2005 and 2004, 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, 2005 and 2004. The Library has not presented Management's Discussion 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 20, 2006 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 20, 2006

**Marvin Memorial Library  
Richland County  
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash  
Balances - All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2005**

	Governmental Fund Types		Fiduciary Fund Type	Total
	General	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Cash Receipts</b>				
Library and Local Government	\$540,152	\$0	\$0	\$540,152
Patron Fines and Fees	21,597	0	0	21,597
Earnings on Investments	9,191	10,766	4,716	24,673
Services Provided to Other Entities	1	15	0	16
Contributions, Gifts and Donations	5,165	0	970	6,135
Rentals	17,717	0	0	17,717
Refunds/Reimbursements	1,772	0	0	1,772
<b>Total Cash Receipts</b>	<b>595,595</b>	<b>10,781</b>	<b>5,686</b>	<b>612,062</b>
<b>Cash Disbursements</b>				
<b>Current:</b>				
Salaries and Benefits	330,465	0	0	330,465
Supplies	15,542	0	131	15,673
Purchased and Contracted Services	88,634	0	800	89,434
Library Materials and Information	97,669	0	665	98,334
Other	3,223	0	0	3,223
Capital Outlay	2,670	22,755	2,713	28,138
<b>Total Cash Disbursements</b>	<b>538,203</b>	<b>22,755</b>	<b>4,309</b>	<b>565,267</b>
<b>Total Receipts Over Disbursements</b>	<b>57,392</b>	<b>(11,974)</b>	<b>1,377</b>	<b>46,795</b>
<b>Fund Cash Balances, January 1, 2005</b>	<b>418,239</b>	<b>610,719</b>	<b>250,190</b>	<b>1,279,148</b>
<b>Fund Cash Balances, December 31, 2005</b>	<b>\$475,631</b>	<b>\$598,745</b>	<b>\$251,567</b>	<b>\$1,325,943</b>
<b>Reserve For Encumbrances</b>	<b>\$10,599</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,599</b>

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

**Marvin Memorial Library  
Richland County  
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash  
Balances - All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2004**

	Governmental Fund Types		Fiduciary Fund Type	Total
	General	Capital Projects	Expendable Trust	(Memorandum Only)
Cash Receipts				
Library and Local Government	\$537,694	\$0	\$0	\$537,694
Patron Fines and Fees	23,234	0	0	23,234
Earnings on Investments	6,227	15,417	5,536	27,180
Services Provided to Other Entities	0	4	0	4
Contributions, Gifts and Donations	8,470	0	1,111	9,581
Rentals	26,794	0	0	26,794
Refunds/Reimbursements	2,004	0	0	2,004
<b>Total Cash Receipts</b>	<b>604,423</b>	<b>15,421</b>	<b>6,647</b>	<b>626,491</b>
Cash Disbursements				
Current:				
Salaries and Benefits	335,838	0	0	335,838
Supplies	18,999	0	50	19,049
Purchased and Contracted Services	82,912	8,481	720	92,113
Library Materials and Information	106,579	0	0	106,579
Other	3,314	0	0	3,314
Capital Outlay	4,876	100,665	3,067	108,608
<b>Total Cash Disbursements</b>	<b>552,518</b>	<b>109,146</b>	<b>3,837</b>	<b>665,501</b>
Total Receipts Over/(Under) Disbursements	51,905	(93,725)	2,810	(39,010)
Fund Cash Balances, January 1, 2004	366,334	704,444	247,380	1,318,158
Fund Cash Balances, December 31, 2004	<u>\$418,239</u>	<u>\$610,719</u>	<u>\$250,190</u>	<u>\$1,279,148</u>
Reserve For Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$450</u>	<u>\$450</u>

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

**Marvin Memorial Library**  
**Richland County**  
**Statements of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - Nonexpendable Trust Fund**  
**For the Years Ended December 31, 2003 and December 31, 2004**

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	<u>Fiduciary Fund Types</u>	
	<u>2005</u> Nonexpendable Trust	<u>2004</u> Nonexpendable Trust
Operating Cash Receipts		
Earnings on Investments	\$17,226	\$18,580
Operating Cash Disbursements		
Library Materials and Information	<u>12,636</u>	<u>12,704</u>
Operating Income	4,590	5,876
Fund Cash Balances, January 1,	<u>143,510</u>	<u>137,634</u>
Fund Cash Balances, December 31,	<u><u>\$148,100</u></u>	<u><u>\$143,510</u></u>

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

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Marvin Memorial Library, Richland County, Ohio (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a publicly-elected, seven-member Board of Trustees appointed by the Shelby City School District's Board of Education. 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 (ie., 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 balances. 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 are valued at cost. The investments in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. The donated common stock is valued at its fair market value at the date of receipt.

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:

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Governmental Fund Types:**

**General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Capital Projects Fund** – This fund is 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 the following Capital Projects Fund:

Permanent Improvement Fund – This fund is used to account for transfers from the General Fund and is used to purchase furniture and equipment for the Library.

**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 Funds:

**Expendable Trust Funds:**

Endowment Fund – To account for donations received from the public and used for technology, professional services and capital outlay.

Kerr Memorial Fund – To account for donations received from the public and used for an annual subscription to the Wall Street Journal, purchase of mystery books and astronomy materials and equipment and supplies for the Children’s Department.

**Nonexpendable Trust Fund:**

Williams Fund – To account for dividends received from donated common stock and interest received from certificates of deposit and used to purchase reference materials and selected works in the fields of scientific development and invention, including audio-visuals, electronic media and new technologies.

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursement and encumbrances) 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 unencumbered 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 carried over, and need not be reappropriated.

A summary of 2005 and 2004 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 Leave

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

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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 was as follows:

	2005	2004
Demand deposits	\$66,903	\$71,748
Certificates of Deposit	1,146,232	1,078,687
 Total Deposits	 1,213,135	 1,150,435
 Donated Stock	 48,836	 48,836
STAR Ohio	212,072	223,387
 Total Investments	 260,908	 272,223
 Total Deposits and Investments	 \$1,474,043	 \$1,422,658

**Deposits** – Deposits are either insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Library or collateralized by the financial institutions public entity deposit pool.

**Investments** – Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Common stock consists of registered securities and are uninsured and uncollateralized.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$593,900	\$595,595	(\$1,695)
Capital Projects	26,500	10,781	15,719
Fiduciary	21,200	22,912	(1,712)
 Total	 \$641,600	 \$629,288	 \$12,312

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$603,314	\$548,802	\$54,512
Capital Projects	31,000	22,755	8,245
Fiduciary	29,169	16,945	12,224
Total	<u>\$663,483</u>	<u>\$588,502</u>	<u>\$74,981</u>

2004 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$595,075	\$604,423	(\$9,348)
Capital Projects	24,150	15,421	8,729
Fiduciary	19,440	25,227	(5,787)
Total	<u>\$638,665</u>	<u>\$645,071</u>	<u>(\$6,406)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$608,700	\$552,518	\$56,182
Capital Projects	116,000	109,146	6,854
Fiduciary	30,000	16,991	13,009
Total	<u>\$754,700</u>	<u>\$678,655</u>	<u>\$76,045</u>

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). 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.

MARVIN MEMORIAL LIBRARY  
RICHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

5. **RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple-public employer retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPER also provides survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OPERS members contributed 8.5% of their wages. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

6. **RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance to all full-time employees through a private carrier.

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

Board of Trustees  
Marvin Memorial Library, Richland County  
29 West Whitney Avenue  
Shelby, OH 44875

We have audited the financial statements of Marvin Memorial Library, Richland County (the Library), as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated June 20, 2006, wherein we noted the Library follows the accounting principles the Auditor of State prescribes rather than the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider material weaknesses.

Compliance

As part of obtaining reasonable assurance about 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*.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

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

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 20, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**MARVIN MEMORIAL LIBRARY**

**RICHLAND 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  
SEPTEMBER 14, 2006**