



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Brown Memorial Library
Preble County
101 Commerce Street, P.O. Box 640
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Memorial Library, Preble County, Ohio (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 generally accepted accounting principles.

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 August 26, 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 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 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

August 26, 2002

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

| | <u>General</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|-----------------------------------------------------|-------------------------------|--------------------------------|-----------------------------------------|
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$149,158 | | \$149,158 |
| Patron Fines and Fees | 7,166 | | 7,166 |
| Earnings on Investments | | \$9,457 | 9,457 |
| Contributions, Gifts and Donations | 10,110 | | 10,110 |
| Miscellaneous Receipts | 18,535 | | 18,535 |
| | <u>184,969</u> | <u>9,457</u> | <u>194,426</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| Salaries and Benefits | 94,910 | | 94,910 |
| Supplies | 7,138 | | 7,138 |
| Purchased and Contracted Services | 25,978 | | 25,978 |
| Library Material and Information | 51,865 | | 51,865 |
| Other Objects | 1,671 | | 1,671 |
| Capital Outlay | 28,980 | | 28,980 |
| | <u>210,542</u> | <u>0</u> | <u>210,542</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>(25,573)</u> | <u>9,457</u> | <u>(16,116)</u> |
| Fund Cash Balances, January 1 | <u>123,614</u> | <u>102,577</u> | <u>226,191</u> |
| Fund Cash Balances, December 31 | <u><u>\$98,041</u></u> | <u><u>\$112,034</u></u> | <u><u>\$210,075</u></u> |

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

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

| | <u>General</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---------------------------------------------|--------------------------------|--------------------------------|-----------------------------------------|
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$129,319 | | \$129,319 |
| Patron Fines and Fees | 5,324 | | 5,324 |
| Earnings on Investments | | \$6,350 | 6,350 |
| Contributions, Gifts and Donations | 108,033 | | 108,033 |
| | <u>242,676</u> | <u>6,350</u> | <u>249,026</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| Salaries and Benefits | 90,384 | | 90,384 |
| Supplies | 7,835 | | 7,835 |
| Purchased and Contracted Services | 21,295 | | 21,295 |
| Library Materials and Information | 57,496 | | 57,496 |
| Other Objects | 2,797 | | 2,797 |
| Capital Outlay | 938 | | 938 |
| | <u>180,745</u> | <u>0</u> | <u>180,745</u> |
| Total Cash Disbursements | | | |
| Total Cash Receipts Over Cash Disbursements | <u>61,931</u> | <u>6,350</u> | <u>68,281</u> |
| Fund Cash Balances, January 1 | <u>61,683</u> | <u>96,227</u> | <u>157,910</u> |
| Fund Cash Balances, December 31 | <u><u>\$123,614</u></u> | <u><u>\$102,577</u></u> | <u><u>\$226,191</u></u> |

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

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Memorial Library, Preble 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 Ohio. The Library is directed by a six-member Board of Trustees, appointed by the Village of Lewisburg Council. 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) for 2000.

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

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund 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 Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

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 (that is, disbursements and encumbrances in 2000, and disbursements for 2001) may not exceed appropriations at the object level of control.

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 carried over, and need not be reappropriated. The Library did not encumber all commitments required by Ohio law in 2000.

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 basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

| | <u>2001</u> | <u>2000</u> |
|-------------------------|------------------|------------------|
| Demand deposits | \$42,875 | \$25,074 |
| Certificates of deposit | 167,200 | 201,117 |
| Total deposits | <u>\$210,075</u> | <u>\$226,191</u> |

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

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY

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

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$162,000 | \$210,542 | (\$48,542) |
| Capital Projects | 0 | 0 | 0 |
| Total | \$162,000 | \$210,542 | (\$48,542) |

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$121,991 | \$242,676 | \$120,685 |
| Capital Projects | 14,000 | 6,350 | (7,650) |
| Total | \$135,991 | \$249,026 | \$113,035 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$183,349 | \$180,745 | \$2,604 |
| Capital Projects | 0 | 0 | 0 |
| Total | \$183,349 | \$180,745 | \$2,604 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$48,542 for the year ended December 31, 2001.

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 of 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 Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

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.

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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 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 Brown Memorial Library has obtained commercial insurance for the following risks:

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

7. COMPLIANCE

Contrary to Ohio law, the Library did not properly certify expenditures in 2000, post appropriations, or post estimated receipts.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

Brown Memorial Library
Preble County
101 Commerce Street, P.O. Box 640
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 26, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2001-00368-001 through 2001-00368-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated August 26, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 conditions are described in the accompanying schedule of findings as items 2001-00368-001 through 2001-00368-003.

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 none of the reportable conditions 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 August 26, 2002.

This report is intended solely for the information and use of management and the 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

August 26, 2002

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

| |
|---------------------------------------------------------------------------------------------------------|
| FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2001-00368-001

Noncompliance/Reportable Condition

Ohio Admin. Code, Section 117-4-14, requires each board of library trustees to execute a purchase order when offering to buy goods or services. The amount of each purchase order shall be certified as set forth in Section 117-4-07 of the Administrative Code before it is issued.

The Library did not properly certify expenditures in 2000. The invoice preceded the purchase order for 95% of the Library's expenditures tested. Failure to properly certify expenditures can result in overspending funds and negative cash fund balances.

Effort should be made by the Library to properly utilize the encumbrance method of accounting by certifying funds on properly approved purchase orders. The Library should obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2001-00368-002

Noncompliance/Reportable Condition

Ohio Admin. Code, Section 117-2-02(A),* requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-8-01,* provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Library with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Library does not post appropriations for each appropriation account nor does the Library post estimated receipts to its receipts ledger.

FINDING NUMBER 2001-00368-002
(Continued)

Failure to post appropriations to each appropriation account can result in negative fund balances. Failure to post estimated receipts and to monitor revenue can result in uncollected revenue due to the Library.

We recommend the Library post appropriations from the annual appropriations resolution to the appropriations ledger and maintain a running balance of remaining appropriations. The Library should also post estimated receipts to the receipts ledger. Management should monitor the process to verify that appropriations are properly posted and to verify that all receipts are properly collected and booked.

* Prior to January 1, 2001, these requirements were included in Ohio Admin. Code, Chapter 117-4.

FINDING NUMBER 2001-00368-003

Noncompliance/Reportable Condition

Ohio Admin. Code, Section 117-8-02, requires the library's legislative body to adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level at which spending in excess of appropriated amounts would be a violation of law.

The Library spent \$210,542 which exceeded appropriated amounts of \$162,000 by \$48,542 in the General Fund for 2001.

Failure to appropriate expenditures can result in overspending funds and negative cash fund balances. We recommend the Library implement procedures to monitor expenditures and appropriations. Expenditures and commitments should not exceed the appropriation at the legal level of control.

**BOWN MEMORIAL LIBRARY
PREBLE COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|---------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1999-00368-001 | Ohio Admin. Code Section 117-04-14: Failure to certify funds | No | Not Corrected; reissued as Finding Number 2001-00368-001 |
| 1999-00368-002 | Ohio Admin. Code Section 117-04-07: Failure to post appropriations | No | Not Corrected; reissued as Finding Number 2001-00368-002 |
| 1999-00368-003 | Ohio Admin. Code Section 117-04-06: Failure to post estimated receipts | No | Not Corrected; reissued as Finding Number 2001-00368-002 |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BROWN MEMORIAL LIBRARY

PREBLE 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 12, 2002**