



**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11

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REPORT OF INDEPENDENT ACCOUNTANTS

Marion Lawrence Memorial Library
Preble County
P.O. Box 866
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the accompanying financial statements of the Marion Lawrence 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 June 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 management, the 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", written in a cursive style.

Jim Petro
Auditor of State

June 27, 2002

**MARION LAWRENCE 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**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$66,292		\$66,292
Other Government Grants-In-Aid	205		205
Patron Fines and Fees	345		345
Earnings on Investments	4,071	5,603	9,674
Contributions, Gifts and Donations	100		100
Miscellaneous Receipts	672		672
	<u>71,685</u>	<u>5,603</u>	<u>77,288</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries and Benefits	22,394		22,394
Supplies	2,182		2,182
Purchased and Contracted Services	16,070		16,070
Library Material and Information	13,192		13,192
Other Objects	1,093		1,093
Capital Outlay	5,983		5,983
	<u>60,914</u>	<u>0</u>	<u>60,914</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,771</u>	<u>5,603</u>	<u>16,374</u>
Fund Cash Balances, January 1	<u>183,487</u>	<u>123,176</u>	<u>306,663</u>
Fund Cash Balances, December 31	<u>\$194,258</u>	<u>\$128,779</u>	<u>\$323,037</u>

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

**MARION LAWRENCE 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	\$80,700		\$80,700
Patron Fines and Fees	237		237
Earnings on Investments	5,186	5,417	10,603
Contributions, Gifts and Donations	1		1
Miscellaneous Receipts	1,800		1,800
	<u>87,924</u>	<u>5,417</u>	<u>93,341</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	18,603		18,603
Supplies	2,920		2,920
Purchased and Contracted Services	16,164		16,164
Library Materials and Information	13,082		13,082
Other Objects	1,402		1,402
Capital Outlay	45,733		45,733
	<u>97,904</u>	<u>0</u>	<u>97,904</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,980)</u>	<u>5,417</u>	<u>(4,563)</u>
Fund Cash Balances, January 1	<u>193,467</u>	<u>117,759</u>	<u>311,226</u>
Fund Cash Balances, December 31	<u><u>\$183,487</u></u>	<u><u>\$123,176</u></u>	<u><u>\$306,663</u></u>

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

**MARION LAWRENCE 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

Marion Lawrence 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 Mayor of the Village. 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 Investments

Investments are reported as assets. 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. Money market mutual funds are recorded at share values reported by the mutual fund.

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.

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

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

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. 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.

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 during 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 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:

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001	2000
Demand deposits	\$93,723	\$183,487
Certificates of deposit	128,778	123,176
Total deposits	222,501	306,663
Money Market	100,536	
Total investments	100,536	
Total deposits and investments	\$323,037	\$306,663

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

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

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	\$156,150	\$60,914	\$95,236
Capital Projects	30,000		30,000
Total	\$186,150	\$60,914	\$125,236

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,245	\$87,924	\$11,679
Capital Projects	5,300	5,417	117
Total	\$81,545	\$93,341	\$11,796

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,700	\$97,904	\$58,796
Capital Projects	30,000		30,000
Total	\$186,700	\$97,904	\$88,796

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.

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

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

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

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.

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

6. 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.

7. RISK MANAGEMENT

Commercial Insurance

The Marion Lawrence Memorial Library has obtained commercial insurance for the following risks:

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



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

Marion Lawrence Memorial Library
Preble County
P.O. Box 866
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the accompanying financial statements of the Marion Lawrence 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 June 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* and which is described in the accompanying schedule of findings as item 2001-00368-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated June 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. A reportable condition is described in the accompanying schedule of findings as item 2001-00368-001.

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 believe the reportable condition described above is not a material weakness.

Marion Lawrence Memorial Library
Preble County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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 June 27, 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", written in a cursive style.

Jim Petro
Auditor of State

June 27, 2002

**MARION LAWRENCE 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 and Reportable Condition

Ohio Administrative Code, Rule 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 Rule 117-4-07 of the Administrative Code before it is issued.

The Library did not properly certify purchases in 2000. The invoice preceded the purchase order for 50% 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. We also recommend the Library date invoices received that do not contain an invoice date.

Amendments to the Ohio Administrative Code deleted this requirement effective January 1, 2001.



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MARION LAWRENCE 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
JULY 30, 2002**