



**Auditor of State
Betty Montgomery**

CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Crestline Public Library
Crawford County
324 North Thoman Street
Crestline, Ohio 44827

To the Board of Trustees:

We have audited the accompanying financial statements of the Crestline Public Library, Crawford County, Ohio, (the Library) as of and for the years ended December 31, 2002, and 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 cash balances of the Library as of December 31, 2002, and December 31, 2001, and its 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 May 9, 2003, 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.

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This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 9, 2003

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2002**

Cash Receipts:	
Library Local Government Support	\$529,653
Patron Fines and Fees	5,693
Earnings on Investments	48,465
Contributions, Gifts and Donations	4,453
Miscellaneous Receipts	<u>10,122</u>
 Total Cash Receipts	 <u>598,386</u>
 Cash Disbursements:	
Current:	
Salaries and Benefits	202,438
Supplies	23,074
Purchased and Contracted Services	50,085
Library Materials	122,972
Other Objects	7,445
Capital Outlay	<u>7,581</u>
 Total Cash Disbursements	 <u>413,595</u>
 Total Cash Receipts Over Cash Disbursements	 184,791
 Cash Balance, January 1, 2002	 <u>1,763,618</u>
 Cash Balance, December 31, 2002	 <u><u>\$1,948,409</u></u>

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

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGE IN CASH BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2001**

Cash Receipts:	
Library Local Government Support	\$574,472
Patron Fines and Fees	13,346
Earnings on Investments	79,544
Contributions, Gifts and Donations	1,824
Miscellaneous Receipts	<u>12,986</u>
 Total Cash Receipts	 <u>682,172</u>
 Cash Disbursements:	
Current:	
Salaries and Benefits	201,781
Supplies	22,794
Purchased and Contracted Services	62,606
Library Materials	120,148
Other Objects	1,064
Capital Outlay	<u>10,451</u>
 Total Cash Disbursements	 <u>418,844</u>
 Total Cash Receipts Over Cash Disbursements	 263,328
 Cash Balance, January 1, 2001	 <u>1,500,290</u>
 Cash Balance, December 31, 2001	 <u><u>\$1,763,618</u></u>

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

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Crestline Public Library, Crawford 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 seven-member Board of Trustees appointed by the Crestline Exempted Village School District 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 (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

Certificates of deposit are valued at cost.

D. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. 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 2002 and 2001 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

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

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

2. CASH

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	2002	2001
Deposits	\$648,359	\$463,568
Certificates of deposit	\$1,300,000	\$1,300,000
Petty cash	50	50
Total deposits and petty cash	\$1,948,409	\$1,763,618

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, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$2,315,954	\$413,595	\$1,902,359

2001 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,989,878	\$418,844	\$1,571,034

4. LIBRARY LOCAL GOVERNMENT SUPPORT

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.

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 2002. The Library has paid all contributions required through December 31, 2002.

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

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

Crestline Public Library
Crawford County
324 North Thoman Street
Crestline, Ohio 44827

To the Board of Trustees:

We have audited the accompanying financial statements of the Crestline Public Library, Crawford County, Ohio, (the Library) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated May 9, 2003. 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 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated May 9, 2003.

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 2002-002.

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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 certain 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 May 9, 2003.

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



BETTY MONTGOMERY
Auditor of State

May 9, 2003

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2002-001
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Finding Repaid Under Audit

In 2002, the Library (through former Clerk/Treasurer Jim Chapman) paid Paul Alterio (Mr. Chapman's step-son) \$333. According to the record of hours worked, the services for which Mr. Alterio received compensation were actually performed by Connie Chapman (Mr. Chapman's wife). As a result, Mr. Alterio was compensated for services he did not render to the Library.

On June 27, 2003, Mr. Chapman repaid the \$333 to the Library.

FINDING NUMBER	2002-002
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Bank Reconciliations/Preparation of Annual Report

Monthly bank reconciliations were not properly performed throughout 2001 and 2002. These reconciliations included unsupported adjustments to the Library's records in order to reconcile to bank balances. In addition, the receipts ledger and appropriations ledger were not summarized and reconciled to the cash journal each month. Several adjustments were required on the annual financial report due to mathematical and posting errors in the receipts ledger and appropriations ledger.

When cash reconciliations are not properly performed, monthly fund balances may be understated or overstated and management can not be assured that the statements reflect the proper financial activities of the Library. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to undetected errors, irregularities, or misappropriation of the Library's assets.

We recommend the Clerk/Treasurer perform monthly bank reconciliations. All discrepancies between the amounts on the bank statement and the fund balances on the Library's records should be investigated and resolved in a timely manner. Documentation supporting reconciling items should be retained. The Clerk/Treasurer should also ensure the annual report agrees to the cash journal, receipts ledger, and appropriations ledger.

**CRESTLINE PUBLIC LIBRARY
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-00517-001	Bank reconciliations/ preparation of annual report.	No	Not Corrected. Finding is being repeated in current audit report.



**Auditor of State
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CRESTLINE PUBLIC LIBRARY

CRAWFORD 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 22, 2003**