



**Auditor of State
Betty Montgomery**

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2002 and 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, 2002 and 2001, 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 September 8, 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.

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

Betty Montgomery
Auditor of State

September 8, 2003

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Taxes	\$1,114,259	\$215,518		\$1,329,777
Patron Fines and Fees	11,876			11,876
Earnings on Investments	2,053		\$104	2,157
Services Provided to Other Entities	16,013			16,013
Contributions, Gifts and Donations	2,450	4,182		6,632
Miscellaneous Receipts	18,756			18,756
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,165,407	219,700	104	1,385,211
Cash Disbursements:				
Current:				
Salaries and Benefits	776,130			776,130
Purchased and Contracted Services	218,914			218,914
Library Materials and Information	273,144		70	273,214
Other Objects	5,480			5,480
Capital Outlay	62,105	226,104		288,209
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,335,773	226,104	70	1,561,947
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (170,366)	<hr/> (6,404)	<hr/> 34	<hr/> (176,736)
Fund Cash Balances, January 1	<hr/> 248,441	<hr/> 11,049	<hr/> 3,610	<hr/> 263,100
Fund Cash Balances, December 31	<hr/> \$78,075	<hr/> \$4,645	<hr/> \$3,644	<hr/> \$86,364
Reserves for Encumbrances, December 31	<hr/> <hr/> \$3,848	<hr/> <hr/> \$0	<hr/> <hr/> \$0	<hr/> <hr/> \$3,848

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

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
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:				
Taxes	\$1,441,857			\$1,441,857
Patron Fines and Fees	10,643			10,643
Earnings on Investments	13,582	\$614	\$163	14,359
Contributions, Gifts and Donations	2,553	61,482		64,035
Miscellaneous Receipts	41,754			41,754
Total Cash Receipts	<u>1,510,389</u>	<u>62,096</u>	<u>163</u>	<u>1,572,648</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	738,529			738,529
Supplies	53,701			53,701
Purchased and Contracted Services	179,223			179,223
Library Materials and Information	353,330			353,330
Other Objects	5,385			5,385
Capital Outlay	118,333	669,390		787,723
Total Cash Disbursements	<u>1,448,501</u>	<u>669,390</u>	<u>0</u>	<u>2,117,891</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>61,888</u>	<u>(607,294)</u>	<u>163</u>	<u>(545,243)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		150,000		150,000
Transfers-Out	(150,000)			(150,000)
Total Other Financing Receipts/(Disbursements)	<u>(150,000)</u>	<u>150,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(88,112)	(457,294)	163	(545,243)
Fund Cash Balances, January 1	<u>336,553</u>	<u>468,343</u>	<u>3,447</u>	<u>808,343</u>
Fund Cash Balances, December 31	<u>\$248,441</u>	<u>\$11,049</u>	<u>\$3,610</u>	<u>\$263,100</u>
Reserves for Encumbrances, December 31	<u>\$6,254</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,254</u>

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

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Preble County District 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 seven-member Board of Trustees. Four Board members are appointed by the Preble County Commissioners and three are appointed by the Preble County Common Pleas Judge. 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 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. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Capital Project Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant Capital Project Fund:

Building Fund – This fund is used to record the related receipts and expenditures of the Library's building fund.

3. Fiduciary Fund (Expendable Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Library had the following significant Fiduciary Fund:

Scott Sheley Fund – Used to record the receipts and expenditures of the Scott Sheley Trust Fund.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control. Although not required by law to encumber, the Library has chosen to utilize the encumbrance method of accounting.

A summary of 2002 and 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. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

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:

Demand deposits	\$72,483	\$160,439
Certificates of deposit	3,000	3,000
Total deposits	75,483	163,439
STAR Ohio	10,881	99,661
Total investments	10,881	99,661
Total deposits and investments	\$86,364	\$263,100

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,520,697	\$1,339,621	\$181,076
Capital Projects	237,000	226,104	10,896
Fiduciary	500	70	430
Total	\$1,758,197	\$1,565,795	\$192,402

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,507,249	\$1,604,755	(\$97,506)
Capital Projects	679,825	669,390	10,435
Fiduciary	250	0	250
Total	\$2,187,324	\$2,274,145	(\$86,821)

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

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.

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, 2002

6. RISK MANAGEMENT

Commercial Insurance

The Preble County District 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 coverage to full-time employees through a private carrier.

7. RELATED PARTIES

The Library purchased various items from two Board members who own businesses within Preble County. Alice Lindley, Board Member, owns the ACE Hardware in Eaton. The Library purchased goods from ACE hardware totaling \$1,268 in 2001 and \$1,388 in 2002. Carolyn Ulrich, Board member, owns the Twin Valley Tea Room in West Alexandria. The Twin Valley Tea Room provided catering services to the Library in the amount of \$459 in 2001.



Auditor of State Betty Montgomery

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

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 8, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated September 8, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated September 8, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 8, 2003



**Auditor of State
Betty Montgomery**

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PREBLE COUNTY DISTRICT 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 30, 2003**