



**Auditor of State
Betty Montgomery**

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

St. Paris Public Library
Champaign County
PO Box 740
St. Paris, Ohio 43072

To the Board of Trustees:

We have audited the accompanying financial statements of the St. Paris Public Library, Champaign County, (the Library), as of and for the years ended December 31, 2003 and 2002. 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.

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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, 2003 and 2002, 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 March 31, 2004, 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 the finance 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

March 31, 2004

**ST PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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:				
Other Government Grants-In-Aid	\$309,440			\$309,440
Patron Fines and Fees	15,350			15,350
Earnings on Investments	5,970			5,970
Contributions, Gifts and Donations	1,250			1,250
Miscellaneous Receipts		\$4,652		4,652
Total Cash Receipts	<u>332,010</u>	<u>4,652</u>		<u>336,662</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	251,885			251,885
Purchased and Contracted Services	57,635	5,339		62,974
Library Materials and Information	39,927			39,927
Supplies	16,546			16,546
Other	1,174			1,174
Capital Outlay	821	25,385		26,206
Total Cash Disbursements	<u>367,988</u>	<u>30,724</u>		<u>398,712</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(35,978)</u>	<u>(26,072)</u>		<u>(62,050)</u>
Fund Cash Balances, January 1	<u>214,741</u>	<u>247,473</u>	<u>5,759</u>	<u>467,973</u>
Fund Cash Balances, December 31	<u>\$178,763</u>	<u>\$221,401</u>	<u>\$5,759</u>	<u>\$405,923</u>
Reserves for Encumbrances, December 31	<u><u>\$2,492</u></u>			<u><u>\$2,492</u></u>

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

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>64,486</u>
Fund Cash Balances, December 31	<u><u>\$64,486</u></u>

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

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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:				
Property and Other Local Taxes	\$700			\$700
Other Government Grants-In-Aid	312,246			312,246
Patron Fines and Fees	12,718			12,718
Earnings on Investments	9,471			9,471
Contributions, Gifts and Donations	22,533			22,533
	<u>357,668</u>			<u>357,668</u>
Total Cash Receipts	<u>357,668</u>			<u>357,668</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	211,059			211,059
Purchased and Contracted Services	64,050			64,050
Library Materials and Information	61,769			61,769
Supplies	16,919			16,919
Other	1,714			1,714
Capital Outlay	3,536	\$9,916		13,452
	<u>359,047</u>	<u>9,916</u>		<u>368,963</u>
Total Cash Disbursements	<u>359,047</u>	<u>9,916</u>		<u>368,963</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,379)</u>	<u>(9,916)</u>		<u>(11,295)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		219,826		219,826
Transfers-Out	(200,000)	(19,826)		(219,826)
	<u>(200,000)</u>	<u>200,000</u>		
Total Other Financing Receipts/(Disbursements)	<u>(200,000)</u>	<u>200,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(201,379)</u>	<u>190,084</u>		<u>(11,295)</u>
Fund Cash Balances, January 1	<u>416,120</u>	<u>57,389</u>	<u>5,759</u>	<u>479,268</u>
Fund Cash Balances, December 31	<u><u>\$214,741</u></u>	<u><u>\$247,473</u></u>	<u><u>\$5,759</u></u>	<u><u>\$467,973</u></u>
Reserves for Encumbrances, December 31	<u><u>\$6,157</u></u>	<u><u>\$21,697</u></u>		<u><u>\$27,854</u></u>

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

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
Fund Cash Balances, January 1	<u>64,486</u>
Fund Cash Balances, December 31	<u><u>\$64,486</u></u>

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

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The St Paris Public Library, Champaign County, (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 local 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 and Investments

Investments are included in 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 investment in STAR Ohio is recorded at share values reported by the State Treasurer. Stock is valued at fair market value when donated.

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 Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Capital Improvements Fund – This fund is utilized for building improvements and other repairs.

Technology Fund – This fund is utilized for the purposes of purchasing computer equipment and other technology updated equipment.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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:

McMorran Expendable Trust Fund – bequest to be used at the discretion of the Board.

Richard Barger Nonexpendable Trust Fund – This fund receives interest from the invested principal which is used as desired by the Board.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures, that are disbursements and encumbrances, may not exceed appropriations at the fund, function, and object level of control.

A summary of 2003 and 2002 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:

	2003	2002
Demand deposits	\$190,305	\$245,396
Certificates of deposit	14,220	14,220
Total deposits	204,525	259,616
STAR Ohio	263,484	270,443
Common Stock	2,300	2,300
Total investments	265,784	272,743
Cash on Hand	100	100
Total deposits, investments, and cash	\$470,409	\$532,459

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Library.

Investments: The Library maintains investments in the State Investment Pool (STAR Ohio) as well as donated stock. 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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$497,020	\$370,480	\$126,540
Capital Projects	57,036	30,724	26,312
Fiduciary	0	0	0
Total	<u>\$554,056</u>	<u>\$401,204</u>	<u>\$152,852</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$646,085	\$565,204	\$80,881
Capital Projects	382,662	51,439	331,223
Fiduciary	0	0	0
Total	<u>\$1,028,747</u>	<u>\$616,643</u>	<u>\$412,104</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 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.

**ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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

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.

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 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The St Paris Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Public Officials Liability



Auditor of State Betty Montgomery

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

St. Paris Public Library
Champaign County
PO Box 740
St. Paris, Ohio 43072

To the Board of Trustees:

We have audited the accompanying financial statements of the St. Paris Public Library, Champaign County, (the Library), as of and for the years ended December 31, 2003 and 2002, and have issued our report there on dated March 31, 2004, wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated March 31, 2004.

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 2003-001 through 2003-003.

**Internal Control Over Financial Reporting
(Continued)**

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 conditions described above are material weaknesses. 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 March 31, 2004.

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

March 31, 2004

**ST PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Reportable Condition

Approval of Transfers

During fiscal year 2002 the following transfers were posted to the Library's accounting records:

Fund	Transfers In	Transfers Out
General		\$200,000
Building/Repair	\$ 19,826	
Construction		19,826
Capital Improvements	100,000	
Contingency	50,000	
Technology	50,000	
	\$219,826	\$219,826

The above transfers were not approved by the Board of Trustees. However, monthly reports received, and approved by the Board reflected these transfers. These transfers are reported in the financial statements. Failure to approve all transfers by the Board could result in unnecessary activity being posted to the Library's records, or transfers made that are not the intent of the Board.

The Board of Trustees should approve all transfers and then the transfers should be posted to the Library's ledgers. This will improve financial reporting by disclosing only approved and necessary activity of the Library.

FINDING NUMBER 2003-002

Reportable Condition

Purchase Orders

The Library utilizes a purchasing system that requires approved purchase orders before expending money. Purchase orders were completed after the invoice date in fifteen percent of 2003 transactions tested, and thirty percent of 2002 transactions tested.

Failure to complete the required purchase order before making the expenditure could result in the Library expending funds not authorized. The Board of Trustees and Clerk should implement procedures to assure the purchase orders are completed prior to the purchasing of items for the Library. This will allow the Library to adequately monitor the availability of funds prior to purchase commitments being entered into.

FINDING NUMBER 2003-003

Reportable Condition

Support for Expenditures

The Library expends monies for supplies, mileage, subscriptions, and other necessary items for Library purposes. During our testing of expenditures, we noted expenditures totaling \$379 in 2003 and \$640 in 2002 without supporting documentation. As a result, additional procedures had to be performed.

Failure to expend monies to vendors without supporting documentation could result in unnecessary or duplicate expenditures. The Board of Trustees should develop policies and procedures for the Clerk to follow to assure all expenditures are paid from original invoices. By following this procedure, the Library can decrease its risk of making incorrect and/or duplicate expenditures to vendors.

ST. PARIS PUBLIC LIBRARY
CHAMPAIGN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-001	Noncompliance with ORC Section 135.18A Inadequate Collateral	Yes	N/A



**Auditor of State
Betty Montgomery**

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ST. PARIS PUBLIC LIBRARY

CHAMPAIGN 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
MAY 25, 2004**