



**Auditor of State
Betty Montgomery**

MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY

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**Auditor of State
Betty Montgomery**

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 13, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of the Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2004, and December 31, 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Mount Gilead Public Library, Morrow County, Ohio, as of December 31, 2004, and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 13, 2005

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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:				
Library Local Government Support	\$281,166	\$0	\$0	\$281,166
Patron Fines and Fees	10,918	0	0	10,918
Earnings on Investments	10,973	3,205	107	14,285
Contributions, Gifts and Donations	5,151	0	0	5,151
Rent	7,500	0	0	7,500
Miscellaneous Receipts	67	0	0	67
	<u>315,775</u>	<u>3,205</u>	<u>107</u>	<u>319,087</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	170,033	0	0	170,033
Purchased and Contracted Services	70,267	0	0	70,267
Library Materials and Information	54,256	0	0	54,256
Supplies	4,672	0	0	4,672
Other Objects	3,300	0	575	3,875
Capital Outlay	22,108	82,110	0	104,218
	<u>324,636</u>	<u>82,110</u>	<u>575</u>	<u>407,321</u>
Total Cash Disbursements				
Total Cash Receipts Under Cash Disbursements	(8,861)	(78,905)	(468)	(88,234)
Fund Cash Balances, January 1, 2004	<u>677,593</u>	<u>308,238</u>	<u>9,078</u>	<u>994,909</u>
Fund Cash Balances, December 31, 2004	<u>\$668,732</u>	<u>\$229,333</u>	<u>\$8,610</u>	<u>\$906,675</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
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:				
Library Local Government Support	\$279,415	\$0	\$0	\$279,415
Patron Fines and Fees	12,302	0	0	12,302
Earnings on Investments	10,224	9,198	95	19,517
Contributions, Gifts and Donations	3,434	0	555	3,989
Rent	7,232	0	0	7,232
Miscellaneous Receipts	257	0	0	257
	<u>312,864</u>	<u>9,198</u>	<u>650</u>	<u>322,712</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	145,806	0	0	145,806
Purchased and Contracted Services	69,085	0	0	69,085
Library Materials and Information	61,003	0	0	61,003
Supplies	5,418	0	0	5,418
Other Objects	3,544	0	0	3,544
Capital Outlay	21,482	6,143	0	27,625
	<u>306,338</u>	<u>6,143</u>	<u>0</u>	<u>312,481</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	6,526	3,055	650	10,231
Fund Cash Balances, January 1, 2003	<u>671,067</u>	<u>305,183</u>	<u>8,428</u>	<u>984,678</u>
Fund Cash Balances, December 31, 2003	<u>\$677,593</u>	<u>\$308,238</u>	<u>\$9,078</u>	<u>\$994,909</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mount Gilead Public Library, Morrow County, (the Library) as a body corporate and politic. The Library is governed by a self-appointing nine-member Board of Trustees. 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Library had the following significant capital project fund:

Building Fund – This fund is used for building acquisition and improvements.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Fund (Trust Fund)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following fiduciary fund:

Brolier Expendable Trust Fund – This fund receives a portion of the annual interest earned by a trust, as indicated by probated will. The proceeds and principal may be spent on any needs of the Library.

E. Budgetary Process

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$80,920	\$100,381
Certificates of deposit	428,340	487,265
Total deposits	509,260	587,646
STAR Ohio	397,415	407,263
Total deposits and investments	\$906,675	\$994,909

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

At December 31, 2003, \$152,241 of deposits were not insured or collateralized, contrary to Ohio law.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004, and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$307,264	\$315,775	\$8,511
Capital Projects	3,068	3,205	137
Fiduciary	90	107	17
Total	\$310,422	\$319,087	\$8,665

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$683,600	\$324,636	\$358,964
Capital Projects	300,000	82,110	217,890
Fiduciary	8,325	575	7,750
Total	\$991,925	\$407,321	\$584,604

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$300,956	\$312,864	\$11,908
Capital Projects	5,000	9,198	4,198
Fiduciary	130	650	520
Total	\$306,086	\$322,712	\$16,626

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$648,600	\$306,338	\$342,262
Capital Projects	300,000	6,143	293,857
Fiduciary	8,325	0	8,325
Total	\$956,925	\$312,481	\$644,444

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF 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.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. LIBRARY BUILDING DEBT

On April 29, 1999, the Mt. Gilead Exempted Village School District issued \$1,400,000 in General Obligation Library Improvement Bonds for the construction of a new library facility. The School District is fully responsible for making principal and interest payments on the bonded debt from the tax levy proceeds.

On November 7, 2001, the Mt. Gilead Exempted Village School District requested \$28,252 from the Library to aid in the December 1, 2001 principal and interest payment on the Library's building debt owed and payable from School District tax collections. The School District received insufficient property tax to make this payment. If future estimated tax collections are received, there should be adequate revenue to repay the Library. As of the date of this report, the School District has not yet repaid the Library, nor has any repayment agreement been executed between the Library and the School District.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of the Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2004, and December 31, 2003, and have issued our report thereon dated July 13, 2005, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated July 13, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

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Mount Gilead Public Library
Morrow County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for 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

July 13, 2005

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-001
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Finding for Recovery – Repaid Under Audit

For 2004, the Personnel/Policy Committee recommended the Director’s salary be increased from \$34,000 to \$35,700. On January 14, 2004, the Board of Trustees reviewed the committee’s recommendation and made a motion to accept that recommendation. In 2004, the Library Director was actually paid \$37,200, which exceeded the amount approved by the Board by \$1,500.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued against Mary Kay Todd, Director. However, on July 13, 2005, the Library Board of Trustees made a motion to retroactively increase the salary of the Director to \$37,200 effective for 2004.

Finding Number	2004-002
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Pledged Collateral

Ohio Rev. Code Section 135.18 states the treasurer shall require the institution designated as a public depository to pledge security for the repayment of all public moneys to be deposited in the public depository. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. Ohio Rev. Code Section 135.181 also allows, in lieu of the pledging requirements prescribed in section 135.18 of the Revised Code, an institution designated as a public depository at its option may pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total value of the securities so pledged, is at least equal to one hundred five percent of the total amount of all public deposits to be secured by the pooled securities, including the portion of such deposits covered by any federal deposit insurance.

At December 31, 2003, the Library had \$152,241 of uncollateralized deposits with its financial institution. To reduce the risk of possible loss to the Library, we recommend the Library request quarterly collateral statements from its bank and monitor its depository balances in relation to pledged security to ensure all deposits are properly secured.



**Auditor of State
Betty Montgomery**

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**MT. GILEAD PUBLIC LIBRARY
MORROW 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
AUGUST 18, 2005**