



**MOUNT STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

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# Mary Taylor, CPA

Auditor of State

Mt. Sterling Public Library  
Madison County  
60 West Columbus Street  
Mt. Sterling, Ohio 43143

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library 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 adverse 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 20, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mt. Sterling Public Library  
Madison County  
60 West Columbus Street  
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the accompanying financial statements of Mt. Sterling Public Library, Madison County, Ohio, (the Library) as of and for the years ended December 31, 2006 and 2005. 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. The Library processes its financial transactions with 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 audit 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Mt. Sterling Public Library, Madison County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 20, 2007, 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.



**Mary Taylor, CPA**  
Auditor of State

July 20, 2007



**MOUNT STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$231,733	\$0	\$0	\$231,733
Patron Fines and Fees	4,443	0	0	4,443
Earnings on Investment	2,299	0	28	2,327
Contributions, Gifts and Donation:	2,278	50,000	0	52,278
Miscellaneous Receipts	180	0	0	180
	<u>240,933</u>	<u>50,000</u>	<u>28</u>	<u>290,961</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	147,618	0	0	147,618
Purchased and Contractual Services	50,122	0	0	50,122
Library Materials and Information	46,512	0	0	46,512
Supplies	3,807	0	0	3,807
Other	4,013	1,917	0	5,930
Capital Outlay	2,377	82,328	0	84,705
	<u>254,449</u>	<u>84,245</u>	<u>0</u>	<u>338,694</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursement	<u>(13,516)</u>	<u>(34,245)</u>	<u>28</u>	<u>(47,733)</u>
<b>Other Financing Receipts/(Disbursements)</b>				
Advances-In	0	34,000	0	34,000
Advances-Out	(34,000)	0	0	(34,000)
Other Financing Sources	447	0	0	447
Other Financing Uses	(101)	0	0	(101)
	<u>(33,654)</u>	<u>34,000</u>	<u>0</u>	<u>346</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursement	(47,170)	(245)	28	(47,387)
Fund Cash Balances, January 1	221,631	1,688	613	223,932
<b>Fund Cash Balances, December 31</b>	<u><u>\$174,461</u></u>	<u><u>\$1,443</u></u>	<u><u>\$641</u></u>	<u><u>\$176,545</u></u>

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

**MOUNT STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$231,733	\$0	\$0	\$231,733
Patron Fines and Fees	4,632	0	0	4,632
Earnings on Investments	4,976	0	15	4,991
Contributions, Gifts and Donations	3,119	0	0	3,119
Miscellaneous Receipts	2,931	0	0	2,931
	<u>247,391</u>	<u>0</u>	<u>15</u>	<u>247,406</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	121,183	0	0	121,183
Purchased and Contractual Services	63,275	0	0	63,275
Library Materials and Information	68,251	0	0	68,251
Supplies	6,135	0	0	6,135
Other	6,865	1,361	0	8,226
Capital Outlay	2,303	108,951	0	111,254
	<u>268,012</u>	<u>110,312</u>	<u>0</u>	<u>378,324</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,621)</u>	<u>(110,312)</u>	<u>15</u>	<u>(130,918)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	0	112,000	0	112,000
Transfers-Out	(112,000)	0	0	(112,000)
Other Financing Sources	108	0	0	108
	<u>(111,892)</u>	<u>112,000</u>	<u>0</u>	<u>108</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(132,513)	1,688	15	(130,810)
Fund Cash Balances, January 1	354,144	0	598	354,742
<b>Fund Cash Balances, December 31</b>	<b><u>\$221,631</u></b>	<b><u>\$1,688</u></b>	<b><u>\$613</u></b>	<b><u>\$223,932</u></b>

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

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**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 Sterling Public Library, Madison County, (the Library) as a body corporate and politic. The Board of Trustees appoints a seven-member Board to govern the Library. The Library provides the community with various educational and literary resources.

On September 8, 2005, the members of the Board of Library Trustees also became the members of the Board of Trustees of the Mt. Sterling Community Museum. The Mt. Sterling Community Museum (Museum) is a legally separate entity. The Mt. Sterling Community Museum is a component unit of the Mt. Sterling Public Library.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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. 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Library values certificates of deposit at cost.

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

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

Capital Improvement Fund was established to receive monies to purchase real estate to allow for future expansion of the Library facility.

**3. Permanent Fund**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant permanent fund:

Taylor Trust Fund was established by an estate trust agreement. The Library was given \$500 as the corpus of the trust. Interest earned on this investment is to be used for the purchase of books or music at the direction of the Board of Library Trustees, as specified in the trust agreement.

**E. 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 2006 and 2005 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:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$27,836	\$174,894
Certificates of deposit	148,709	49,038
Total deposits	<u>\$176,545</u>	<u>\$223,932</u>

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

At December 31, 2005, \$77,019 of deposits were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$251,774	\$241,380	(\$10,394)
Capital Projects	0	84,000	84,000
Permanent	0	28	28
Total	\$251,774	\$325,408	\$73,634

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$251,774	\$288,550	(\$36,776)
Capital Projects	1,688	84,245	(82,557)
Permanent	0	0	0
Total	\$253,462	\$372,795	(\$119,333)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,000	\$247,499	\$12,499
Capital Projects	0	112,000	112,000
Permanent	30	15	(15)
Total	\$235,030	\$359,514	\$124,484

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$393,720	\$380,112	\$13,608
Capital Projects	0	110,312	(110,312)
Permanent	69	0	69
Total	\$393,789	\$490,424	(\$96,635)

Contrary to Ohio Administrative Law, budgetary expenditures exceeded appropriation authority in the General Fund and the Capital Improvement Fund by \$36,776 and \$82,557, respectively, for the year ended December 31, 2006. Also contrary to Ohio Administrative Law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$110,312 for the year ended December 31, 2005.

**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 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.

**5. RETIREMENT SYSTEM**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribe this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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



# Mary Taylor, CPA

## Auditor of State

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

Mt. Sterling Public Library  
Madison County  
60 West Columbus Street  
Mt. Sterling, Ohio 43143

To the Board of Trustees:

We have audited the financial statements of the Mt. Sterling Public Library, Madison County, Ohio (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated July 20, 2007, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe all of the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated July 20, 2007.

#### **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 2006-001 through 2006-003.

We intend this report solely for the information and use of the management and the Library Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 20, 2007



**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2006-001</b>
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**Material Weakness/Significant Deficiency**

**Finding for Recovery Repaid Under Audit  
Payroll Expenses**

In 2006 and 2005, the Mt. Sterling Public Library processed payroll for the Mt. Sterling Community Museum on the Library's UAN payroll accounting system.

In 2006, the Library paid \$18,043.27 in salary and the employer portion of Social Security, Medicare and OPERS for 3 employees of the Museum. The Museum reimbursed the Library \$13,115.79 in 2006, leaving an unpaid balance of \$4,927.48.

In 2005, the Library paid \$1,255.68 in salary and the employer portion of Social Security, Medicare, and OPERS for 2 employees of the Museum. The Museum made no reimbursements to the Library, leaving an unpaid balance of \$1,255.68.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected would have been issued against Vickie Sheets, Clerk/Treasurer, and the Cincinnati Insurance Company, her bonding company and the Mt. Sterling Community Museum, jointly and severally, in favor of the Mt. Sterling Public Library's General Fund in the amount of \$6,183.16.

However, Mt. Sterling Community Museum repaid \$6,183.16 to the Library on August 17, 2007. This payment was credited to the Library's General Fund.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2006-002</b>
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**Material Weakness/Significant Deficiency/ Noncompliance Finding**

**Expenditures Exceeding Appropriations**

**Ohio Admin. Code Section 117-8-02** states that the library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

Expenditures exceeded appropriations at the legal level of control in the following funds for the following years:

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-002(Continued)</b>
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**Material Weakness/Significant Deficiency/Noncompliance Finding (Continued)**

**Expenditures Exceeding Appropriations (Continued)**

At 12-31-06:	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$251,774	\$288,550	(\$36,776)
Capital Improvement Fund	1,688	84,245	(82,557)
At 12-31-05:	Appropriation Authority	Budgetary Expenditures	Variance
Capital Improvement Fund	-0-	110,312	(110,312)

We recommend the Clerk/Treasurer and the Board monitor its appropriations and expenditures to ensure that expenditures do not exceed appropriations at the legal level of control.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2006-003</b>
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**Material Weakness/Significant Deficiency/Noncompliance Finding**

**Ohio Rev. Code Section 135.18(A)** states the treasurer of a political subdivision must require the depository to provide security equal to the funds on deposit at all times. Security may consist of federal deposit insurance, surety company bonds, or pledged securities. At December 31, 2005, the total of all First National Bank deposits was \$177,019 of which \$100,000 is insured by FDIC. The balance of \$77,019 was uninsured and uncollateralized by pledged or pooled securities.

We recommend the Library request quarterly collateral statements from any bank where deposits will be over \$100,000. The Library should monitor the collateral held by the financial institution to what is necessary for their deposits and request the financial institution adjust the collateral accordingly.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**MT. STERLING PUBLIC LIBRARY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2006-004</b>
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**Material Weakness/Significant Deficiency**

**Board Approval of Transfers and Advances**

The Board reviews transfers and advances after the fact in the monthly Board meetings. These transactions appear in the financial reports of the previous month. The Clerk/Treasurer makes transfers and advances, as deemed necessary, but does not get prior approval documented in the Board minutes.

We recommend the Board authorize all transfers and advances before they occur and the approval be documented in the minutes.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2006-005</b>
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**Material Weakness/Significant Deficiency**

**Monitoring Library Financial Activity**

The small size of the Library's staff does not allow for adequate segregation of duties. The Clerk/Treasurer must perform all accounting functions. It is therefore important that the Board monitor financial activity closely. The Board should review monthly bank reconciliations, transaction detail reports printed from the UAN system for receipts and disbursements, budget to actual reports, and year-to-date financial reports. This review should be appropriately documented in the minutes.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

Lack of effective legislative monitoring contributed to the following circumstances occurring and going undetected by the Library's management:

- Posting errors to receipt and expenditure accounts
- Expenditures exceeding appropriations
- Receipts of the Library not being collected in a timely manner

We recommend that the Board request monthly receipts and expenditure reports printed from the UAN System monthly. These reports should be reviewed by the Board Trustees and appropriate follow-up should be made regarding any unusual balances or transactions.

**Officials Response:**

We did not receive a response from Officials to this finding.





Mary Taylor, CPA  
Auditor of State

**MT. STERLING PUBLIC LIBRARY**

**MADISON 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 25, 2007**