



Dave Yost • Auditor of State

MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY

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Dave Yost • Auditor of State

Marion Lawrence Memorial Library
Preble County
15 E. Franklin Street
Gratis, Ohio 45330

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 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 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 10, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Marion Lawrence Memorial Library
Preble County
15 E. Franklin Street
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the accompanying financial statements of the Marion Lawrence Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010. 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Marion Lawrence Memorial Library, Preble County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Marion Lawrence Memorial Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The Library classified disbursements by object in 2010 and by function in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2012, 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.



Dave Yost
Auditor of State

July 10, 2012

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Public Library	\$48,960		\$48,960
Patron Fines and Fees	591		591
Earnings on Investments	1,403		1,403
Miscellaneous	52		52
<i>Total Cash Receipts</i>	<u>51,006</u>	<u>\$0</u>	<u>51,006</u>
Cash Disbursements			
Current:			
Library Services	47,003		47,003
<i>Total Cash Disbursements</i>	<u>47,003</u>	<u>0</u>	<u>47,003</u>
<i>Net Change in Fund Cash Balances</i>	4,003	0	4,003
<i>Fund Cash Balances, January 1</i>	<u>64,642</u>	<u>63,463</u>	<u>128,105</u>
Fund Cash Balances, December 31			
Assigned	0	63,463	63,463
Unassigned	68,645	0	68,645
<i>Fund Cash Balances, December 31</i>	<u><u>\$68,645</u></u>	<u><u>\$63,463</u></u>	<u><u>\$132,108</u></u>

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

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Public Library	\$46,559		\$46,559
Patron Fines and Fees	1,541		1,541
Earnings on Investments	1,680		1,680
	<hr/>		<hr/>
Total Cash Receipts	49,780	\$0	49,780
	<hr/>		<hr/>
Cash Disbursements:			
Current:			
Salaries	23,443		23,443
Employee Fringe Benefits	3,864		3,864
Purchased and Contractual Services	12,502		12,502
Library Materials and Information	6,007		6,007
Supplies	4,117		4,117
Other	591		591
	<hr/>		<hr/>
Total Cash Disbursements	50,524	0	50,524
	<hr/>		<hr/>
Total Receipts (Under) Disbursements	(744)	0	(744)
	<hr/>		<hr/>
Fund Cash Balances, January 1	65,386	63,463	128,849
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$64,642</u>	<u>\$63,463</u>	<u>\$128,105</u>

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

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 Marion Lawrence Memorial Library, Preble County, Ohio (the Library), as a body corporate and politic. The Mayor of the Village of Gratis appoints a six-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources. The Library is a related organization to the Village of Gratis; see Note 7.

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.

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

C. Cash and Deposits

The Library values certificates of deposit at cost.

D. Fund Accounting

The Library uses fund accounting to segregate cash and deposits 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.

2. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

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 2011 and 2010 budgetary activity appears in Note 3.

MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Library did not have any nonspendable fund balances.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions. The Library did not have any restricted fund balances.

3. **Committed**

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Library did not have any committed fund balances.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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.

H. 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 Deposits

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

	2011	2010
Demand deposits	\$23,175	\$20,523
Certificates of deposit	108,933	107,582
Total deposits	132,108	128,105

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,985	\$51,006	\$21
Capital Projects	2,000	0	(2,000)
Total	\$52,985	\$51,006	(\$1,979)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,200	\$47,003	\$21,197
Capital Projects	0	0	0
Total	\$68,200	\$47,003	\$21,197

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,209	\$49,780	\$5,571
Capital Projects	0	0	0
Total	\$44,209	\$49,780	\$5,571

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,800	\$50,524	\$49,276
Capital Projects	0	0	0
Total	\$99,800	\$50,524	\$49,276

4. Grants-in-aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

5. Retirement Systems

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 prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2011.

6. Risk Management

The Library has obtained commercial insurance for the following risks:

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

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Related Organization

The Library is a related organization to the Village of Gratis. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Village represent a potential financial benefit or burden to the Library.

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

Marion Lawrence Memorial Library
Preble County
15 E. Franklin Street
Gratis, Ohio 45330

To the Board of Trustees:

We have audited the financial statements of the Marion Lawrence Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated July 10, 2012, wherein we noted the Library followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America (GAAP), adopted Governmental Accounting Standards Board Statement No. 54, and classified disbursements by object in 2010 and by function in 2011. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-02 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 10, 2012.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

July 10, 2012

**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

MATERIAL WEAKNESS

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

In 2010, the Library reversed prior audit adjustments of \$8,157 and recorded Earnings on Investments in the General fund (\$2,936) and Capital Project (\$5,221) fund. This resulted in the beginning 2010 fund balances not agreeing to the 2009 ending balances.

Audit adjustments were made to the financial statements and accounting records for the above item.

The lack of proper management oversight resulted in material misstatements, and required material audit adjustments to the 2010 financial statements.

To improve the accuracy of the Library's accounting records and financial reports, we recommend that the Library monitor adjustments.

Officials' Response:

At the end of the 2008-2009 audit, the Library was in a transition phase and was hiring a new clerk/treasurer. The UAN software used by the Library was unfamiliar to the new clerk resulting in the posting error in 2010 of the 2008-2009 audit adjustments. Since the completion of the 2008-2009 audit, the clerk/treasurer has obtained sufficient training on the UAN system which will result in the clerk/treasurer having the requisite knowledge to correctly post adjustments in the UAN software.

FINDING NUMBER 2011-02

NONCOMPLIANCE/SIGNIFICANT DEFICIENCY

Ohio Revised Code, § 135.21, states, in part, that all investment earnings, except as provided in section 135.351 of the Revised Code and by resolution adopted pursuant to section 3315.01 or 3375.391 of the Revised Code, shall be credited to the general fund of the Library. The Library posted interest earned from its investments in the amount of \$1,223 in 2010 and \$865 in 2011 to the Capital Projects Fund; and the Library did not adopt the resolution as stated in section 3375.391 of the Revised Code. The Capital Projects Fund is not permitted to receive interest. Failure to properly post interest resulted in a misappropriation of funds. Audit adjustments were made to the financial statements and accounting records.

We recommend the Library only post interest to the General Fund.

Officials' Response:

Based upon the information provided in the 2010-2011 audit, the Library will post interest income earned from its investments into the general fund.

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**MARION LAWRENCE MEMORIAL LIBRARY
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Failure to properly record revenues and record estimated resources to the system	No	Partially Corrected – Reissued as Finding 2011-01
2009-002	ORC 135.14, Failure to invest in eligible investments	Yes	

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MARION LAWRENCE MEMORIAL 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
JULY 31, 2012**