

**MARY LOU JOHNSON – HARDIN COUNTY  
DISTRICT LIBRARY**

**HARDIN COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**Charles E. Harris and Associates, Inc.**  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Mary Lou Johnson - Hardin County District Library  
325 East Columbus Street  
Kenton, Ohio 43326

We have reviewed the *Report of Independent Accountants* of the Mary Lou Johnson - Hardin County District Library, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mary Lou Johnson - Hardin County District Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 29, 2012

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MARY LOU JOHNSON – HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2011 and 2010

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Mary Lou Johnson - Hardin County District Library  
Hardin County  
325 East Columbus Street  
Kenton, Ohio 43326

To the Library Trustees:

We have audited the accompanying financial statements of the Mary Lou Johnson - Hardin County District Library, Hardin County, Ohio 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Mary Lou Johnson - Hardin County District Library, Hardin County 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.

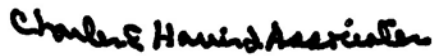
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments 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 Mary Lou Johnson - Hardin County District Library, Hardin County 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 Mary Lou Johnson - Hardin County District Library, Hardin County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, during 2011 the Mary Lou Johnson - Hardin County District Library, Hardin County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 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.



Charles E. Harris & Associates, Inc.  
July 16, 2012



**MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY**  
**HARDIN COUNTY**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES - ALL GOVERNMENTAL FUND TYPES**  
**For the Year Ended December 31, 2011**

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	Total
<b>Receipts:</b>					
Library and Local Government Support	\$ 382,184	-	-	-	\$ 382,184
Intergovernmental	63,692	-	-	-	63,692
Patrons, Fines and Fees	18,158	-	-	-	18,158
Contributions, Gifts and Donations	5,552	-	-	-	5,552
Earnings on Investments	106,846	-	-	-	106,846
Miscellaneous	4,620	-	-	-	4,620
<b>Total Receipts</b>	<b>581,052</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>581,052</b>
<b>Disbursements:</b>					
Library Services	625,018	-	-	-	625,018
Capital Outlay	25,000	-	-	-	25,000
<b>Total Cash Disbursements</b>	<b>650,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650,018</b>
<b>Excess Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(68,966)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68,966)</b>
<b>Fund Balance January 1, 2011</b>	<b>2,392,674</b>	<b>\$ 100,113</b>	<b>\$ 15,403</b>	<b>\$ 43,516</b>	<b>2,551,706</b>
<b>Fund Cash Balance December 31, 2011</b>					
Nonspendable	-	-	-	43,516	43,516
Restricted	-	100,113	-	-	100,113
Committed	-	-	15,403	-	15,403
Unassigned	2,323,708	-	-	-	2,323,708
<b>Fund Balance December 31, 2011</b>	<b>\$ 2,323,708</b>	<b>\$ 100,113</b>	<b>\$ 15,403</b>	<b>\$ 43,516</b>	<b>\$ 2,482,740</b>

See accompanying Notes to the Financial Statements.

MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2010

	Governmental Fund Types				(Memorandum Only) Total
	General	Special Revenue	Capital Projects	Permanent	
<b>Receipts:</b>					
Library and Local Government Support	\$ 423,165	-	-	-	\$ 423,165
Intergovernmental	4,039	-	-	-	4,039
Patrons, Fines and Fees	20,958	-	-	-	20,958
Contributions, Gifts and Donations	7,618	-	-	-	7,618
Earnings on Investments	132,080	\$ 309	-	-	132,389
Miscellaneous	5,051	-	-	-	5,051
<b>Total Receipts</b>	<b>592,911</b>	<b>309</b>	<b>-</b>	<b>-</b>	<b>593,220</b>
<b>Disbursements:</b>					
<b>Current:</b>					
Salaries	293,312	-	-	-	293,312
Employee Fringe Benefits	71,868	-	-	-	71,868
Purchased and Contracted Services	94,144	-	-	-	94,144
Library Materials and Information	106,493	1,438	-	-	107,931
Supplies	37,159	-	-	-	37,159
Miscellaneous	3,580	-	-	-	3,580
Capital Outlay	13,849	-	-	-	13,849
<b>Total Cash Disbursements</b>	<b>620,405</b>	<b>1,438</b>	<b>-</b>	<b>-</b>	<b>621,843</b>
<b>Excess Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(27,494)</b>	<b>(1,129)</b>	<b>-</b>	<b>-</b>	<b>(28,623)</b>
<b>Fund Balance January 1, 2010</b>	<b>766,695</b>	<b>1,754,715</b>	<b>\$ 15,403</b>	<b>\$ 43,516</b>	<b>2,580,329</b>
<b>Fund Balance December 31, 2010</b>	<b>\$ 739,201</b>	<b>\$ 1,753,586</b>	<b>\$ 15,403</b>	<b>\$ 43,516</b>	<b>\$ 2,551,706</b>

See accompanying Notes to the Financial Statements.

**MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Mary Lou Johnson - Hardin County District Library, Hardin 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; four trustees are appointed by Hardin County Commissioners and three by the Judge of the County Common Pleas Court. 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**

The Library prepares its financial statements following 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. CASH**

Investments are included in the 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.

**D. FUND ACCOUNTING**

The Library maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

**Governmental Fund Types:**

**General Fund:** The general operating fund of the Library. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds:** These funds are used to account for proceeds from special sources (other than capital projects) that are restricted to expenditures for specific purposes. The Library had the following significant Special Revenue fund:

- *Book Endowment Expendable Fund* – This fund is used to account for donations to the Library used to purchase books and related items.

**Capital Project Fund:** This fund accounts 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 Projects Fund* – This fund is used to accumulate resources for future projects.

**Permanent Fund:** This fund accounts for assets held under 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 Permanent Fund.

- *Carl Russell Trust Fund* - This fund is used to account for the principal donated by the Carl Russell estate. Interest income is credited to the General Fund and must be spent according to the Trust.

E. **BUDGETARY PROCESS**

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

A summary of 2010 and 2011 budgetary activity appears in Note 4.

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.

**MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY**  
**HARDIN COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**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 Library's basis of accounting.

**H. FUND BALANCE**

For December 31, 2011, fund balance is divided into 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.

**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.

**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.

**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.

**MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

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

**H. FUND BALANCE - (Continued)**

**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.

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

	<u>2011</u>	<u>2010</u>
Demand Deposit		
Total Deposits	\$ 414,997	\$ 488,506
Investments:	<u>414,997</u>	<u>488,506</u>
Certificates of Deposit	1,829,246	1,824,703
Common Stock	<u>238,497</u>	<u>238,497</u>
Total Investments	<u>2,067,743</u>	<u>2,063,200</u>
Total Deposits and Investments	<u>\$ 2,482,740</u>	<u>\$ 2,551,706</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Library, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: At December 31, 2011 and 2010, the Library held \$238,497 in donated equity securities. Equity securities are not eligible investments for the Library under Ohio law. At December 31, 2011 and 2010, the equity securities had a market value of \$2,977,649 and \$2,863,755, respectively. An investment firm holds the Library's equity securities in book entry form in the Library's name.

MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010

3. GRANTS-IN-AID AND PROPERTY TAXES

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 county's prior intangibles tax of PLF 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 any additional revenues the Library receives.

4. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 640,612	\$ 581,052	\$ (59,560)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 671,670	\$ 650,018	\$ 21,652

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 608,541	\$ 592,911	\$ (15,630)
Special Revenue	1,500	309	(1,191)
Permanent	5,000	-	(5,000)

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 753,175	\$ 620,405	\$ 132,770
Special Revenue	-	1,438	(1,438)
Permanent	-	-	-

**MARY LOU JOHNSON - HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

**5. RETIREMENT SYSTEM**

Employees of the Library belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% in 2010 and in 2011 of their gross pay while the Library contributed an amount equal to 14% of covered payroll for both years. The Library paid all required contributions through 2011.

**6. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Library pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**7. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**8. RESTATEMENT OF PRIOR YEAR FUND BALANCES**

For 2011, the Library implemented Governmental Accounting Standards Board Statement number 54. The implementation of this statement caused the following restatement of funds:

	<u>General Fund</u>	<u>Special Revenue</u>
Fund balance 12/31/2010	\$ 739,201	\$1,753,586
Fund reclassifications	<u>1,653,473</u>	<u>(1,653,473)</u>
Adjusted fund balance 1/1/2011	<u>\$2,392,674</u>	<u>\$ 100,113</u>



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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Mary Lou Johnson - Hardin County District Library  
Hardin County  
325 East Columbus Street  
Kenton, Ohio 43326

To the Library Trustees:

We have audited the financial statements of the Hardin County Public Library, Hardin County, Ohio (the Library) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 16, 2012, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, for 2011, we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." 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.

**Internal Controls 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 opinions 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 to be a material weakness.

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-MLJ-01 described in the accompanying schedule of findings to be a material weakness.


### 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Library in a separate letter dated July 16, 2012.

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



**Charles E. Harris and Associates, Inc.**  
July 16, 2012

MARY LOU JOHNSON – HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY, OHIO

SCHEDULE OF FINDINGS  
December 31, 2011 and 2010

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

**Finding Number: 2011-MLJ-01 – Material Weakness**

The Library should classify funds according to the reporting requirements of governmental accounting to help assure the proper presentation and disclosure of fund activity. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose trust fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments.

If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending on whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund. In addition, the Library should classify financial transactions according to governmental reporting guidance.

In the previous audit, the auditors requested that the Library move the Carl Lotz Fund from Permanent Fund to Special Revenue. The Library complied with the previous auditors' request. However, in 2011 the Library transferred the \$111,911 balance in the Carl Lotz Fund from Special Revenue Fund back to the Permanent Fund. Without a written trust agreement, the fund should be classified as General Fund based on Governmental Accounting Standards Board (GASB) Statement number 54, therefore the transfer never should have been made.

In 2011, the Library implemented GASB Statement number 54. The Johnson Expendable Trust was classified in the Special Revenue Fund and was included in Assigned Fund Balance. Based on the requirements of GASB 54, this fund should have been classified in the General Fund, included in the Unassigned Fund Balance since the use of this fund is not restricted. This fund and balance was reclassified. We also noted that the balance in the Capital Projects Fund was classified as Assigned Fund Balance. This amount was reclassified to Committed Fund Balance based on the usage of the fund.

In 2011 and 2010, the Library classified reimbursements from book vendors and book sale revenues, in the amount of \$2,142, and \$1,691, respectively, as Other Financing Sources – Special Item, instead of Miscellaneous Revenue. The revenue account Special Items should be used to record significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Reimbursements and book sale revenues would not meet the unusual or infrequent criteria for a library. These accounts were reclassified.

The failure to prepare financial statements that correctly classify funds and revenue not only inhibits the user's ability to fully understand the results of operations but may also result in material financial statement reporting errors. The Library's Fiscal Officer should utilize governmental accounting resources such as the UAN Manual and Auditor of State Bulletins 2005-005 and 2011-004 for guidance in the reporting of revenues and the classification of funds.

**OFFICIALS' RESPONSE:** The Library provided no response.

MARY LOU JOHNSON – HARDIN COUNTY DISTRICT LIBRARY  
HARDIN COUNTY  
For the Years Ended December 31, 2011 and 2010

STATUS OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Fund and Revenue Reclassifications	No	Repeated as Item 2011-MLJ-01



# Dave Yost • Auditor of State

MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY

HARDIN 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  
DECEMBER 13, 2012