



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Tipp City Public Library  
Miami County  
11 East Main Street  
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the accompanying financial statements of the Tipp City Public Library (the Library) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Tipp City Public Library, Miami County, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2002 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

**Jim Petro**  
Auditor of State

April 24, 2002

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

|   | <u>Governmental Fund Types</u> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |   |
| Taxes   | \$628,604                      |                            |                             | \$628,604                               |
| Other Government Grants-In-Aid  |                                | 9,259                      |                             | 9,259                                   |
| Patron Fines and Fees   | 18,617                         |                            |                             | 18,617                                  |
| Earnings on Investments   | 19,462                         |                            |                             | 19,462                                  |
| Contributions, Gifts and Donations  | 7,146                          |                            |                             | 7,146                                   |
| Miscellaneous Receipts  | 393                            |                            |                             | 393                                     |
| <b>Total Cash Receipts</b>  | <u>674,222</u>                 | <u>9,259</u>               |                             | <u>683,481</u>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |   |
| Current:  |                                |                            |                             |   |
| Salaries and Benefits   | 415,669                        |                            |                             | 415,669                                 |
| Purchased and Contracted Services   | 74,894                         | 4,500                      |                             | 79,394                                  |
| Supplies  | 16,723                         |                            |                             | 16,723                                  |
| Library Materials and Information   | 98,826                         | 825                        |                             | 99,651                                  |
| Other Objects   | 1,648                          |                            |                             | 1,648                                   |
| Capital Outlay  | 13,342                         | 3,934                      |                             | 17,276                                  |
| <b>Total Cash Disbursements</b>   | <u>621,102</u>                 | <u>9,259</u>               |                             | <u>630,361</u>                          |
| <b>Total Cash Receipts Over Cash Disbursements</b>  | <u>53,120</u>                  |                            |                             | <u>53,120</u>                           |
| <b>Other Financing Receipts/(Disbursements):</b>  |                                |                            |                             |   |
| Transfers-In  |                                |                            | 100,000                     | 100,000                                 |
| Transfers-Out   | (100,000)                      |                            |                             | (100,000)                               |
| <b>Total Other Financing Receipts/(Disbursements)</b>   | <u>(100,000)</u>               |                            | <u>100,000</u>              |   |
| <b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b> | (46,880)                       |                            | 100,000                     | 53,120                                  |
| <b>Fund Cash Balances, January 1</b>  | <u>324,944</u>                 | <u>0</u>                   | <u>74,485</u>               | <u>399,429</u>                          |
| <b>Fund Cash Balances, December 31</b>  | <u>\$278,064</u>               | <u>\$0</u>                 | <u>\$174,485</u>            | <u>\$452,549</u>                        |
| <b>Reserves for Encumbrances, December 31</b>   | <u>\$27,577</u>                |                            |                             | <u>\$27,577</u>                         |

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

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

|  | <b>Governmental Fund Types</b> |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|-----------------------------|---|
|  | <b>General</b>                 | <b>Capital<br/>Projects</b> |   |
| <b>Cash Receipts:</b>  |                                |                             |   |
| Property and Other Local Taxes   | \$612,159                      |                             | \$612,159                               |
| Patron Fines and Fees  | 15,293                         |                             | 15,293                                  |
| Earnings on Investments  | 23,809                         |                             | 23,809                                  |
| Contributions, Gifts and Donations   | 3,934                          |                             | 3,934                                   |
| Miscellaneous Receipts   | 212                            |                             | 212                                     |
| <br>Total Cash Receipts  | <br>655,407                    |                             | <br>655,407                             |
| <b>Cash Disbursements:</b>   |                                |                             |   |
| Current:   |                                |                             |   |
| Salaries and Benefits  | 388,613                        |                             | 388,613                                 |
| Purchased and Contracted Services  | 107,244                        |                             | 107,244                                 |
| Supplies   | 23,208                         |                             | 23,208                                  |
| Library Materials and Information  | 95,059                         |                             | 95,059                                  |
| Other Objects  | 1,701                          |                             | 1,701                                   |
| Capital Outlay   | 19,508                         |                             | 19,508                                  |
| <br>Total Cash Disbursements   | <br>635,333                    |                             | <br>635,333                             |
| <br>Total Cash Receipts Over Cash Disbursements  | <br>20,074                     |                             | <br>20,074                              |
| <b>Other Financing Receipts/(Disbursements):</b>   |                                |                             |   |
| Transfers-In   |                                | 65,000                      | 65,000                                  |
| Transfers-Out  | (65,000)                       |                             | (65,000)                                |
| <br>Total Other Financing Receipts/(Disbursements)   | <br>(65,000)                   | 65,000                      |   |
| <br>Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | <br>(44,926)                   | 65,000                      | 20,074                                  |
| <br>Fund Cash Balances, January 1  | <br>369,870                    | 9,485                       | 379,355                                 |
| <br><b>Fund Cash Balances, December 31</b>   | <br><b>\$324,944</b>           | <b>\$74,485</b>             | <b>\$399,429</b>                        |
| <br>Reserves for Encumbrances, December 31   | <br>\$52,526                   |                             | \$52,526                                |

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



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Tipp City Public Library, Miami County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Tipp City Exempted Village School Board. The Library provides the community with various educational and literary resources.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash**

All funds are maintained in checking or money market accounts.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash that is restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

**OPLIN Grant Fund** - these were used to purchase internet filtering software, computers, and technical assistance. The grant was through the State Library.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant capital projects fund:

**Building Fund** - these are funds utilized for the acquisition, remodeling, and additions to buildings.

**E. Budgetary Process**

The Ohio Administrative Code requires budgeting for each fund annually.

**1. Appropriations**

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, function, and object level of control.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**3. Encumbrances**

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations; however, the Library has chosen to continue the encumbrance method of accounting.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

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

|                 | 2001      | 2000      |
|-----------------|-----------|-----------|
| Demand deposits | \$452,549 | \$399,429 |

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

At December 31, 2001, \$370,137 of deposits were not insured or collateralized, contrary to Ohio law.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

| 2001 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$676,400            | \$674,222          | (\$2,178) |
| Special Revenue                   | 0                    | 9,259              | 9,259     |
| Capital Projects                  | 100,000              | 100,000            | 0         |
| Total                             | \$776,400            | \$783,481          | \$7,081   |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$954,167                  | \$748,679                 | \$205,488 |
| Special Revenue                                       | 9,259                      | 9,259                     | 0         |
| Capital Projects                                      | 174,485                    | 0                         | 174,485   |
| Total   | \$1,137,911                | \$757,938                 | \$379,973 |

| 2000 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$655,407            | \$655,407          | \$0      |
| Capital Projects                  | 65,000               | 65,000             | 0        |
| Total                             | \$720,407            | \$720,407          | \$0      |

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$927,723                  | \$757,859                 | \$169,864 |
| Capital Projects                                      | 70,000                     | 0                         | 70,000    |
| Total   | \$997,723                  | \$757,859                 | \$239,864 |

**4. GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**5. RETIREMENT SYSTEM**

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries through June 30, 2000, and from January 1, 2001 through December 31, 2001. PERS temporarily reduced the employer contribution rate to 8.13 percent effective July 1, 2000 through December 31, 2000. The Library has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Tipp City Public Library has obtained commercial insurance for the following risks:

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

**Unemployment Insurance**

The Tipp City Public Library is uninsured for State of Ohio unemployment compensation benefits. Claims are paid when incurred and are billed through the Ohio Department of Job and Family Services upon their determination that the claim is valid. At December 31, 2001, the Library had an outstanding claim of \$3,726 for a former employee. The Library does not believe this constitutes a material risk.

**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. INSURANCE POOL**

The Library participates in the Ohio Library Council Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Library by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating libraries is calculated as one experience and a common premium rate is applied to all libraries in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to libraries that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the GRP.

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

Tipp City Public Library  
Miami County  
11 East Main Street  
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the accompanying financial statements of the Tipp City Public Library (the Library) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated April 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-00355-001. We also noted an immaterial instance of non-compliance that we have reported to management of the Library in a separate letter dated April 24, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-00355-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated April 24, 2002.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

April 24, 2002



**TIPP CITY PUBLIC LIBRARY  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2001-00355-001**

**Noncompliance Citation**

**Ohio Rev. Code Sections 135.18 and 135.181** require that the treasurer of a political subdivision must require their public depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

For the years ended December 31, 2001 and 2000, the Library had federal deposit insurance of \$100,000 on the bank balances of \$470,137 and \$427,830 respectively. The remaining balances were not insured or collateralized. The Library had a letter of credit through the Federal Home Loan Bank with their public depository that expired on August 11, 2000 that collateralized their uninsured deposits up to \$300,000.

Failure to collateralize deposits leaves the Library at risk of losing a significant portion of their fund balances if their depository should become insolvent. The Library should contact their public depository to obtain surety company bonds or pledged securities as authorized under Ohio Rev. Code Section 135.18 on the uncollateralized portion of their deposits.

**FINDING NUMBER 2001-00355-002**

**Payroll Disbursements**

The review of the payroll process disclosed the following discrepancies::

- Two librarians, the former Clerk Treasurer, and the Director were overpaid on January 3, 2000 due to the former Clerk Treasurer paying employees based upon new contract amounts that were not yet effective. The approved salary contracts did not address methodology of handling years that contained 27 pay periods, which resulted in variances between approved contracts and actual pay received for salaried workers during 2000.
- For fiscal year 2000, the former Clerk Treasurer calculated percentage pay increases based upon incorrect salary information from fiscal year 1999, which resulted in inconsistencies between the 5% pay raises authorized by the Board in the Library minutes, and the amount that was actually paid in accordance with the Board approved employment contracts and pay schedules. The variance created by these calculation errors amounted to an additional \$5,070.
- For fiscal year 2001, the Director and Clerk Treasurer could not provide evidential matter to support the Board approved salary and wages. However, other evidence to support these actions was obtained from the Board President.

**FINDING NUMBER 2001-00355-002**

**Payroll Disbursements  
(Continued)**

The Library should develop and implement procedures including, but not limited to, the following:

- Payroll should be calculated based upon the pay period worked. The employees' time charged during the change over from one fiscal year to the next should reflect the Board's approved pay for the separate fiscal years;
- Pay raises should be properly authorized and the documentation maintained. An industry practice is to document salary and wage amounts in the minutes as approved by the governing body. Another practice is to maintain documentation in each employees personnel file which clearly identifies their wage or salary;
- The criteria for pay raises should be based upon sound financial judgement and well documented. The Director and Clerk Treasurer should review this information before it is presented to the Board for discussion, revision, and approval.

Implementation of these recommendations will provide the Library with accurate payroll disbursements and reporting.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**TIPP CITY PUBLIC LIBRARY**

**MIAMI 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  
JUNE 11, 2002**