



**Auditor of State  
Betty Montgomery**



MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings .....	13

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Marion Lawrence Memorial Library  
Preble County  
P.O. Box 866  
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, 2003, and 2002. 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 2003, and 2002, 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 January 12, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 12, 2005

**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, 2003**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$60,517		\$60,517
Patron Fines and Fees	648		648
Earnings on Investments	2,073	\$5,811	7,884
Miscellaneous Receipts	224		224
	<u>63,462</u>	<u>5,811</u>	<u>69,273</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	26,115		26,115
Purchased and Contracted Services	13,046		13,046
Library Materials and Information	18,508		18,508
Supplies	3,024		3,024
Other Objects	2,462		2,462
	<u>63,155</u>	<u>0</u>	<u>63,155</u>
Total Cash Receipts Over Cash Disbursements	<u>307</u>	<u>5,811</u>	<u>6,118</u>
Fund Cash Balances, January 1	<u>186,546</u>	<u>132,436</u>	<u>318,982</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$186,853</u></b>	<b><u>\$138,247</u></b>	<b><u>\$325,100</u></b>

*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, 2002**

	<b>General</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$61,139		\$61,139
Patron Fines and Fees	477		477
Earnings on Investments	3,617	\$3,657	7,274
Miscellaneous Receipts	359		359
	<u>65,592</u>	<u>3,657</u>	<u>69,249</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	23,669		23,669
Purchased and Contracted Services	13,694		13,694
Library Materials and Information	25,995		25,995
Supplies	3,530		3,530
Other Objects	1,150		1,150
Capital Outlay	5,266		5,266
	<u>73,304</u>	<u>0</u>	<u>73,304</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,712)</u>	<u>3,657</u>	<u>(4,055)</u>
Fund Cash Balances, January 1	<u>194,258</u>	<u>128,779</u>	<u>323,037</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$186,546</u></b>	<b><u>\$132,436</u></b>	<b><u>\$318,982</u></b>

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Marion Lawrence Memorial Library, Preble County, Ohio (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 six-member Board of Trustees appointed by the Mayor of the Village of Gratis. The Library provides the community with various educational and literary resources. The Library is a related organization to the Village of Gratis; see Note 8.

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.

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

**C. Cash and Investments**

Investments are reported as assets. 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.

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

**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 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. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of 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 object level of control.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**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.

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

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

	2003	2002
Demand deposits	\$32,420	\$83,504
Certificates of deposit	263,245	132,444
Total deposits	295,665	215,948
Money Market Account	29,435	103,034
Total deposits and investments	\$325,100	\$318,982

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003, and 2002, follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,350	\$63,155	\$62,195
Capital Projects	30,000	0	30,000
Total	\$155,350	\$63,155	\$92,195

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$143,650	\$73,304	\$70,346
Capital Projects	30,000	0	30,000
Total	\$173,650	\$73,304	\$100,346

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**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% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2003. The Library has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Marion Lawrence Memorial Library has obtained commercial insurance for the following risks:

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

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. 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.



## **Auditor of State Betty Montgomery**

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

Marion Lawrence Memorial Library  
Preble County  
P.O. Box 866  
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, 2003, and 2002, and have issued our report thereon dated January 12, 2005. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated January 12, 2005.

#### **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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, 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. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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. We noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Material weaknesses are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated January 12, 2005.

This report is intended solely for the information and use of the audit committee, management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 12, 2005

**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance/Material Weakness**

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-9-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Library with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Library failed to correctly use the prescribed chart of accounts in 2003. The Library did not properly record revenues and expenditures. Numerous adjustments were needed to properly classify the monies received and expended in 2003.

Failure to properly record revenues and expenditures can result in overspending funds and negative cash balances.

Receipts and expenditures posted to the annual financial report should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt or expenditure has been properly posted. Receipts and expenditures should be consistently posted to funds and line items.

**FINDING NUMBER 2003-002**

**Reportable Condition/Material Weakness**

The Library did not accurately reconcile its cash in 2003. This process is comprised of taking the total of all bank and investment balances from which outstanding checks are subtracted, other adjustments considered (unrecorded interest income and deposits in transit are examples), any petty cash amounts added, and the resulting amount should agree with the Library's book/fund balances. This is to be done at the end of each month.

**FINDING NUMBER 2003-002**  
**(Continued)**

The following discrepancies were discovered in the Auditor of State's review of the December 31, 2003 reconciliation.

- The Library did not perform a "true" reconciliation in 2003. Cash balances were not verified to the fund balances to ensure they were equal.
- Many of the balances listed on the cash reconciliation were incorrect when compared to confirmed balances from the banks. Also, part of the petty cash was not recorded on the cash reconciliation.
- All activity for 2003 was posted to the General Fund, whereas investment activity has been posted to the Capital Projects Fund in prior years.
- The Library failed to record \$2,540 in interest revenue.
- The Library failed to record deposits totaling \$22 and disbursements totaling \$257.
- Cash disbursements were not properly accounted for in 2003 due to the appropriation ledger not being totaled correctly.

Accurate reconciling is the most basic and important internal control. This allows the Library Trustees to make sound financial decisions. It also reduces the probability of Library money being misappropriated.

We recommend that accurate bank reconciliations be done monthly. Any differences must be investigated and resolved immediately. A Trustee independent of the reconciliation process should then review the reconciliation. This review should be documented by the reviewer signing and dating the reconciliation.



**MARION LAWRENCE MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-00368-001	Ohio Admin. Code, Rule 117-4-14, failure to certify expenditures	No longer applicable	Finding No Longer Valid – Amendments to the Ohio Admin. Code deleted this requirement effective January 1, 2001.





**Auditor of State  
Betty Montgomery**

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**MARION LAWRENCE MEMORIAL LIBRARY  
CINCINNATI 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  
FEBRUARY 22, 2005**