



**Auditor of State
Betty Montgomery**

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

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**Auditor of State
Betty Montgomery**

Perry Cook Memorial Library
Morrow County
P.O. Box 214
Shauck, Ohio 43349

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

July 22, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Perry Cook Memorial Library
Morrow County
P.O. Box 214
Shauck, Ohio 43349

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Cook Memorial Library, Morrow County, Ohio (the Library) as of and for the years ended December 31, 2004, and December 31, 2003. 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 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004, 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, 2004, or the changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Perry Cook Memorial Library, Morrow County, Ohio, as of December 31, 2004, and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 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 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.



Betty Montgomery
Auditor of State

July 22, 2005

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Non Expendable Trust</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$248,725	\$0	\$0	\$248,725
Patron Fines and Fees	3,394	0	0	3,394
Earnings on Investments	137	14,563	183	14,883
Contributions, Gifts and Donations	25	0	0	25
Total Cash Receipts	252,281	14,563	183	267,027
Cash Disbursements:				
Current:				
Salaries and Benefits	102,050	0	0	102,050
Supplies	9,636	0	0	9,636
Purchased and Contracted Services	21,271	0	0	21,271
Library Materials and Information	33,209	0	0	33,209
Other Objects	916	0	0	916
Capital Outlay	3,305	0	0	3,305
Total Cash Disbursements	170,387	0	0	170,387
Total Cash Receipts Over Cash Disbursements	81,894	14,563	183	96,640
Fund Cash Balances, January 1	\$36,275	\$1,202,768	\$6,308	\$1,245,351
Fund Cash Balances, December 31	\$118,169	\$1,217,331	\$6,491	\$1,341,991

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

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Non Expendable Trust</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$247,174	\$0	\$0	\$247,174
Patron Fines and Fees	2,967	0	0	2,967
Earnings on Investments	146	12,450	247	12,843
Miscellaneous Receipts	255	0	0	255
Contributions, Gifts and Donations	280	0	0	280
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	250,822	12,450	247	263,519
Cash Disbursements:				
Current:				
Salaries and Benefits	96,898	0	0	96,898
Supplies	7,112	0	0	7,112
Purchased and Contracted Services	25,670	0	0	25,670
Library Materials and Information	28,972	0	0	28,972
Other Objects	1,017	0	0	1,017
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	159,669	0	0	159,669
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	91,153	12,450	247	103,850
Other Financing Receipts/(Disbursements):				
Transfers-In		70,000		70,000
Transfers-Out	(70,000)			(70,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(70,000)	70,000	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	21,153	82,450	247	103,850
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	15,122	1,120,318	6,061	1,141,501
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$36,275	\$1,202,768	\$6,308	\$1,245,351
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The notes to the financial statements are an integral part of this statement.

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Cook Memorial Library, Morrow 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 seven-member Board of Trustees. 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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 Investments

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

The Library values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's Investment pool) is valued at amounts reported by the State Treasurer.

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

2. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following capital projects fund:

Building Fund – This fund receives transfers from the General Fund and interest revenue for future improvement and/or expansion of the existing library.

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Fund (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Library had the following Fiduciary Fund:

Belle Cook Nonexpendable Trust Fund – This fund receives interest earned by the trust's certificate of deposit. The interest proceeds may be spent on any library needs. The corpus balance of this fund must remain at an amount of \$5,000.

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. However, in 2003, the Library did not budget for a transfer from the general fund to the building fund, which caused general fund expenditures to exceed appropriations by \$40,069.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$579,307	\$492,240
Certificates of deposit	5,000	5,000
Total deposits	584,307	497,240
STAR Ohio	757,684	748,111
Total deposits and investments	\$1,341,991	\$1,245,351

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending ended December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,360	\$252,281	(\$10,079)
Capital Projects	12,000	14,563	2,563
Fiduciary	247	183	(64)
Total	\$274,607	\$267,027	(\$7,580)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,600	\$170,387	\$19,213
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	\$189,600	\$170,387	\$19,213

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$325,000	\$250,822	(\$74,178)
Capital Projects	20,000	82,450	62,450
Fiduciary	200	247	47
Total	\$345,200	\$333,519	(\$11,681)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,600	\$229,669	(\$40,069)
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	\$189,600	\$229,669	(\$40,069)

4. GRANTS-IN-AID

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

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2004 and 2003. The Library has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

Perry Cook Memorial Library
Morrow County
P.O. Box 214
Shauck, Ohio 43349

To the Board of Trustees:

We have audited the financial statements of the Perry Cook Memorial Library, Morrow County, Ohio (the Library) as of and for the years ended December 31, 2004, and December 2003, and have issued our report thereon dated July 22, 2005, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider 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 judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Library's management dated July 22, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Library's management dated July 22, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 22, 2005

**PERRY COOK MEMORIAL LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-001
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Finding Repaid Under Audit - Salary Overpayment

In each of the monthly payroll transactions from March 2003 through July 2003, the Library Clerk/Treasurer, Jeffrey Wise, issued payment to Janet Oates, a library employee, for an amount equal to her gross pay rather than her net pay. As a result, Janet Oates was overpaid \$1,086.83.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended would have been issued jointly and severally against Janet Oates, Jeffrey Wise, Library Clerk/Treasurer, and Ohio Republic Surety Company, Jeffrey Wise's bonding company, and in favor of the Perry Cook Memorial Library general fund, in the amount of one thousand eighty-six dollars and eighty-three cents (\$1,086.83).

Janet Oates repaid \$1,086.83 to the Library on July 22, 2005.

Finding Number	2004-002
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Budgetary Posting

For both 2003 and 2004, appropriations posted to the Library's accounting ledgers totaled \$295,072 while appropriations approved by the Board of Trustees were only \$189,600. Failure to accurately post budgeted amounts may result in the inability to monitor budgeted vs. actual receipts and expenditures, and, thus, may impair the Library's ability to detect possible errors or irregularities. Posting appropriations to the ledgers in amounts greater than those approved by the Board of Trustees may also result in overspending or unauthorized expenditures.

To use the budget as an effective management monitoring tool, we recommend the Library post to its appropriation ledger only those appropriation measures approved by the Board of Trustees.



**Auditor of State
Betty Montgomery**

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**PERRY COOK MEMORIAL LIBRARY
MORROW 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
AUGUST 25, 2005**