



**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

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Mary Taylor, CPA
Auditor of State

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your 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 adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 14, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of the Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2006, and December 31, 2005. 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.

GAAP requires presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006, and December 31, 2005, 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, 2006, and December 31, 2005, 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 fund cash balances of the Mount Gilead Public Library, Morrow County, Ohio, as of December 31, 2006, and December 31, 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, the Library has reclassified the Expendable Trust Fund to the General Fund. Fund balances as of January 1, 2005 have been restated as a result.

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 September 14, 2007, 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.



Mary Taylor, CPA
Auditor of State

September 14, 2007

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Library Local Government Support	\$ 304,464	\$ -	\$ 304,464
Patron Fines and Fees	11,532	-	11,532
Earnings on Investments	28,235	10,807	39,042
Contributions, Gifts and Donations	2,624	-	2,624
Rent	6,355	-	6,355
Miscellaneous Receipts	309	-	309
	<u>353,519</u>	<u>10,807</u>	<u>364,326</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	233,283	-	233,283
Purchased and Contracted Services	86,282	-	86,282
Library Materials and Information	46,001	-	46,001
Supplies	7,916	-	7,916
Other Objects	10,471	-	10,471
Capital Outlay	11,094	1,242	12,336
	<u>395,047</u>	<u>1,242</u>	<u>396,289</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(41,528)	9,565	(31,963)
Fund Cash Balances, January 1, 2006	<u>630,589</u>	<u>224,119</u>	<u>854,708</u>
Fund Cash Balances, December 31, 2006	<u>\$ 589,061</u>	<u>\$ 233,684</u>	<u>\$ 822,745</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Library Local Government Support	\$ 293,591	\$ -	\$ 293,591
Patron Fines and Fees	11,154	-	11,154
Earnings on Investments	18,285	6,139	24,424
Contributions, Gifts and Donations	3,119	-	3,119
Rent	7,500	-	7,500
Miscellaneous Receipts	5,312	-	5,312
	<u>338,961</u>	<u>6,139</u>	<u>345,100</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	222,310	-	222,310
Purchased and Contracted Services	81,002	-	81,002
Library Materials and Information	63,776	-	63,776
Supplies	6,132	-	6,132
Other Objects	7,347	-	7,347
Capital Outlay	5,147	11,353	16,500
	<u>385,714</u>	<u>11,353</u>	<u>397,067</u>
Total Cash Receipts Under Cash Disbursements	(46,753)	(5,214)	(51,967)
Fund Cash Balances, January 1, 2005 (Restated)	<u>677,342</u>	<u>229,333</u>	<u>906,675</u>
Fund Cash Balances, December 31, 2005	<u>\$ 630,589</u>	<u>\$ 224,119</u>	<u>\$ 854,708</u>

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

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Mount Gilead Public Library, Morrow County, Ohio (the Library) as a body corporate and politic. The Library is governed by a self-appointing nine-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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Cash and Investments

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

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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

2. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project fund:

Building Fund – This fund is used for building, acquisition, and improvements.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2006 and 2005 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND 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 was as follows:

	2006	2005
Demand deposits	\$105,400	\$26,459
Certificates of deposit	352,151	440,131
Total deposits	457,551	466,590
STAR Ohio	365,194	388,118
Total deposits and investments	\$822,745	\$854,708

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006, and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$334,774	\$353,519	\$18,745
Capital Projects	7,845	10,807	2,962
Total	\$342,619	\$364,326	\$21,707

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$730,935	\$395,047	\$335,888
Capital Projects	221,000	1,242	219,758
Total	<u>\$951,935</u>	<u>\$396,289</u>	<u>\$555,646</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$208,134	\$338,961	\$130,827
Capital Projects	4,500	6,139	1,639
Total	<u>\$212,634</u>	<u>\$345,100</u>	<u>\$132,466</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$721,925	\$385,714	\$336,211
Capital Projects	206,000	11,353	194,647
Total	<u>\$927,925</u>	<u>\$397,067</u>	<u>\$530,858</u>

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 any additional revenues the Library receives.

5. RETIREMENT SYSTEM

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local Government Group</i>	<i>2005</i>	<i>8.5%</i>	<i>13.55%</i>
<i>PERS – Local Government Group</i>	<i>2006</i>	<i>9.0%</i>	<i>13.70%</i>

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribe this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.70% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. LIBRARY BUILDING DEBT

On April 29, 1999, the Mount Gilead Exempted Village School District issued \$1,400,000 in General Obligation Library Improvement Bonds for the construction of a new library facility. The School District is fully responsible for making principal and interest payments on the bonded debt from the tax levy proceeds.

On November 7, 2001, the Mount Gilead Exempted Village School District requested \$28,252 from the Library to aid in the December 1, 2001 principal and interest payment on the Library's building debt owed and payable from School District tax collections. The School District received insufficient property tax to make this payment. If future estimated tax collections are received, there should be adequate revenue to repay the Library. As of the date of this report, the School District has not yet repaid the Library, nor has any repayment agreement been executed between the Library and the School District.

8. FUND BALANCE RESTATEMENT

The Expendable trust fund was reclassified by the Library at January 1, 2005 as it was not a true trust fund due to a lack of trust agreement. The reclassification of the Expendable trust fund had the following effect on the fund balances as previously reported at December 31, 2004:

	<u>General Fund</u>	<u>Trust Fund</u>
Fund Balance 12/31/04	\$668,732	\$8,610
Adjustment	8,610	(8,610)
Restated Fund Balance 01/01/05	<u>\$677,342</u>	<u>\$0</u>



Mary Taylor, CPA

Auditor of State

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

Mount Gilead Public Library
Morrow County
41 East High Street
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the financial statements of the Mount Gilead Public Library, Morrow County, Ohio, (the Library) as of and for the years ended December 31, 2006, and December 31, 2005, and have issued our report thereon dated September 14, 2007, 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. We also noted the Library restated January 1, 2005 fund balances due to the reclassification of the expendable trust fund to the general fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated September 14, 2007.

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 and regulations, 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 2006-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 14, 2007.

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



Mary Taylor, CPA
Auditor of State

September 14, 2007

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER	2006-001
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Allocation of Interest among Funds – Noncompliance Citation/Significant Deficiency

Ohio Rev. Code 3375.391 states that the board of library trustees of any free public library district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution. If no such resolution is adopted by the Board, the Clerk must credit all interest earned to the General Fund pursuant to Ohio Rev. Code 135.21.

The Board did not adopt said resolution in either 2006 or 2005.

In 2006 and 2005, interest was credited to the following funds:

Fiscal Year	General Fund	Capital Projects
2006	\$28,235	\$10,807
2005	\$18,285	\$6,139

We recommend that the Board of Trustees adopt a resolution requiring the Clerk/Treasurer to credit interest to funds from which the earnings arose or any other fund the Board specifies.

FINDING NUMBER	2006-002
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Financial Reporting – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Clerk/Treasurer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2006 financial statements:

1. Adjustments of \$350 to move earnings on investments to the General Fund.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Library and were not posted to the December 31, 2006 financial statements:

1. Reclassification of \$856 of Purchased & Contracted Services from Other objects.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER	2006-002 (Continued)
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Financial Reporting – Significant Deficiency/Material Weakness (Continued)

The following audit adjustments were made to the December 31, 2005 financial statements:

1. Adjustments of \$8,610 to restate the Expendable Trust and General Fund January 1, 2005 balances to properly classify the Expendable Trust Fund in the General Fund.
2. Adjustments of \$235 to move earnings on investments to the General Fund.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Library and were not posted to the December 31, 2005 financial statements:

- 1 Adjustment of \$804, of which \$47 represents the actual expenditure vouched and \$757 represents the projection amount, to decrease expenditures and increase cash for an expenditure not supported by sufficient documentation.

The adjustments identified above should be reviewed by the Clerk/Treasurer and Board of Trustees to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Library should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Library's activity.

Officials' Response

We did not receive a response from Officials to the findings reported above.

**MOUNT GILEAD PUBLIC LIBRARY
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Finding for Recovery – Repaid Under Audit	Yes	
2004-002	Pledged Collateral	Yes	



Mary Taylor, CPA
Auditor of State

MOUNT GILEAD PUBLIC 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
NOVEMBER 29, 2007**