

CARDINGTON LINCOLN PUBLIC LIBRARY
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Cardington-Lincoln Public Library
P.O. Box 38
Cardington, Ohio 43315

We have reviewed the *Independent Auditors' Report* of the Cardington-Lincoln Public Library, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 3, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cardington Lincoln Public Library
Morrow County

We have audited the accompanying financial statements of Cardington Lincoln Public Library, Ohio, (the Library) as of and for the years ended December 31, 2007 and 2006. 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 audits.

We conducted our audits 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 audits 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2007 and 2006, 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 the new GAAP presentation requirements. The Auditor of State of Ohio 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 of Ohio 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Cardington Lincoln Public Library, Morrow County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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 June 24, 2008 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.

The image shows a handwritten signature in black ink that reads "Shullbrook & Manton". The script is cursive and elegant, with the ampersand being particularly stylized.

Certified Public Accountants

June 24, 2008

**CARDINGTON LINCOLN 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, 2007

	Governmental Fund Types	Total (Memorandum Only)
	General	
Cash receipts:-		
Library local government support	\$ 271,843	\$ 271,843
Patrons fines and fees	8,062	8,062
Earnings on investments	6,294	6,294
Contributions, gifts and donations	1,776	1,776
Other receipts	4,066	4,066
Total cash receipts	292,041	292,041
Cash disbursements:-		
Current;-		
Salaries	154,614	154,614
Employee fringe benefits	24,387	24,387
Purchased and contracted services	40,723	40,723
Library materials	38,365	38,365
Supplies	10,407	10,407
Other objects	2,530	2,530
Capital Outlay	34,879	34,879
Total cash disbursements	305,905	305,905
Total receipts over (under) cash disbursements	(13,864)	(13,864)
Other financing receipts (disbursements):-		
Sale of fixed assets	391	391
Total other financing receipts (disbursements)	391	391
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(13,473)	(13,473)
Fund cash balances, January 1, 2007	159,442	159,442
Fund cash balances, December 31, 2007	\$ 145,969	\$ 145,969
Reserve for encumbrances, December 31, 2007	\$ 0	\$ 0

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

**CARDINGTON LINCOLN 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

	Governmental Fund Types	Total (Memorandum Only)
	General	
Cash receipts:-		
Library local government support	\$ 260,969	\$ 260,969
Patrons fines and fees	8,033	8,033
Earnings on investments	4,609	4,609
Contributions, gifts and donations	375	375
Other receipts	3,518	3,518
Total cash receipts	277,504	277,504
Cash disbursements:-		
Current;-		
Salaries	142,378	142,378
Employee fringe benefits	22,800	22,800
Purchased and contracted services	44,860	44,860
Library materials	34,495	34,495
Supplies	9,640	9,640
Other objects	2,403	2,403
Capital Outlay	34,331	34,331
Total cash disbursements	290,907	290,907
Total receipts over (under) cash disbursements	(13,403)	(13,403)
Other financing receipts (disbursements):-		
Sale of fixed assets	537	537
Total other financing receipts (disbursements)	537	537
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(12,866)	(12,866)
Fund cash balances, January 1, 2006	172,308	172,308
Fund cash balances, December 31, 2006	\$ 159,442	\$ 159,442
Reserve for encumbrances, December 31, 2006	\$ 0	\$ 0

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

CARDINGTON LINCOLN PUBLIC LIBRARY
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Cardington Lincoln Public 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 the State of Ohio. The Library is directed by an appointed seven-member Board of Trustees appointed by the Board of Education of the School District. The Library provides the community with various education and literary resources.

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

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

Cash and Investments - The Library maintains its cash deposits in an interest-bearing checking account and money market accounts. The Library's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Library reports 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 reported by the mutual fund.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Budgetary Process - The Ohio Revised Code requires that the Library budget annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Morrow County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**CARDINGTON LINCOLN PUBLIC LIBRARY
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Budgetary Process - (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Morrow County Budget Commission must also approve estimated resources.

Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

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

Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the Library's basis of accounting.

NOTE 2 - EQUITY IN POOLED CASH:-

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

Deposits	2007	2006
Demand deposits	\$ 133,482	\$ 43,757
Certificates of deposit	12,487	115,685
Total deposits	\$ 145,969	\$ 159,442

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

CARDINGTON LINCOLN PUBLIC LIBRARY
MORROW COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

NOTE 3 - BUDGETARY ACTIVITY :-

Budgetary activity for the years ending December 31, 2007 and 2006 was as follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 293,093	\$ 292,432	\$ (661)
Total	\$ 293,093	\$ 292,432	\$ (661)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 333,095	\$ 305,905	\$ 27,190
Total	\$ 333,095	\$ 305,905	\$ 27,190

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 279,200	\$ 278,041	\$ (1,159)
Total	\$ 279,200	\$ 278,041	\$ (1,159)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 315,465	\$ 290,907	\$ 24,558
Total	\$ 315,465	\$ 290,907	\$ 24,558

Contrary to Ohio Revised Code 5705.36, for 2007 and 2006, the Library did not amend the certification during the year for sources which were available for expenditures from the General Fund.

**CARDINGTON LINCOLN PUBLIC LIBRARY
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4 - LEASE AGREEMENTS:-

In May 2004, the Library entered into a thirty six month lease for computer equipment and software. The terms of the lease require 36 monthly payments of \$726. Total lease payments made for the years ended December 31, 2007 and 2006 were \$3,631 and \$8,712, respectively. This lease ended in May 2007.

The Library also has a one year lease with the Pirates Cove Pizza Shop for space rented by the restaurant. Total rent receipts from the restaurant for the years ended December 31, 2007 and 2006 were \$4,050 and \$3,300, respectively.

NOTE 5 - LIBRARY LOCAL GOVERNMENT SUPPORT:-

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 any additional revenues the Library receives.

NOTE 6 - RETIREMENT SYSTEMS:-

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

Contribution rates are also prescribed by the Ohio Revised Code. During 2007 and 2006, PERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Library contributed an amount equal to 13.85% and 13.70% of participants' gross salaries for 2007 and 2006, respectively. The Library has paid all contributions required through December 31, 2007.

NOTE 7 - RISK MANAGEMENT:-

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions.



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
Cardington Lincoln Public Library
Morrow County

We have audited the financial statements of the Cardington Lincoln Public Library, Morrow County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 24, 2008, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cardington Lincoln Public Library's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cardington Lincoln Public Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 noted no matters involving the internal control over financial reporting and its operation that we consider to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting as described above that we consider material weaknesses.

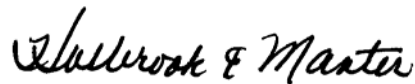
We also noted certain internal control matters that we reported to the Library's management in a separate letter dated June 24, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardington Lincoln Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Library's management in a separate letter dated June 24, 2008.

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



Certified Public Accountants

June 24, 2008



Mary Taylor, CPA
Auditor of State

CARDINGTON-LINCOLN 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
SEPTEMBER 16, 2008**