

MARION PUBLIC LIBRARY
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008



Mary Taylor, CPA

Auditor of State

Board of Trustees
Marion School District Public Library
445 East Church Street
Marion, Ohio 43302

We have reviewed the *Independent Auditors' Report* of the Marion School District Public Library, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2008 through December 31, 2009. 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 Marion School District Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Marion Public Library
Marion County

We have audited the accompanying financial statements of the Marion Public Library, Marion County, Ohio, (the Library) as of and for the years ended December 31, 2009 and 2008. 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.

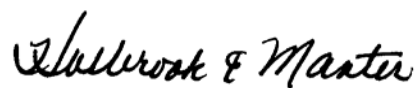
Instead of the combined funds the accompanying financial statements present for 2009 and 2008, GAAP requires presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately for 2009 and 2008. While the Library does not follow GAAP, generally accepted auditing 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, 2009 and 2008 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, 2009 and 2008, 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 the Marion Public Library, Marion County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 23, 2010 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 & Mante". The signature is written in a cursive, flowing style.

Certified Public Accountants

June 23, 2010

MARION PUBLIC LIBRARY
MARION COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:-				
Library local government support	\$ 1,978,367	\$ 0	\$ 0	\$ 1,978,367
Patrons fines and fees	56,743	0	0	56,743
Earnings on investments	27,342	13,735	0	41,077
Contributions, gifts and donations	15,150	0	0	15,150
Other receipts	65,351	0	0	65,351
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash receipts	2,142,953	13,735	0	2,156,688
Cash disbursements:-				
Current;-				
Salaries	1,165,576	0	0	1,165,576
Employee fringe benefits	369,284	0	0	369,284
Purchased and contracted services	236,951	0	0	236,951
Library materials	150,846	55,967	0	206,813
Supplies	36,291	0	0	36,291
Other objects	13,172	0	0	13,172
Capital outlay	58,057	0	0	58,057
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Total cash disbursements	2,030,177	55,967	0	2,086,144
Total cash receipts over (under) cash disbursements	112,776	(42,232)	0	70,544
Fund cash balances, January 1, 2009	922,332	848,321	314,873	2,085,526
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Fund cash balances, December 31, 2009	<u>\$ 1,035,108</u>	<u>\$ 806,089</u>	<u>\$ 314,873</u>	<u>\$ 2,156,070</u>
Reserve for encumbrances, December 31, 2009	<u>\$ 85,570</u>	<u>\$ 12,722</u>	<u>\$ 0</u>	<u>\$ 98,292</u>

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

MARION PUBLIC LIBRARY
MARION COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:-				
Library local government support	\$ 2,406,827	\$ 0	\$ 0	\$ 2,406,827
Patrons fines and fees	62,012	0	0	62,012
Earnings on investments	54,953	142,440	0	197,393
Contributions, gifts and donations	12,692	0	0	12,692
Other receipts	58,645	0	0	58,645
Total cash receipts	2,595,129	142,440	0	2,737,569
Cash disbursements:-				
Current:-				
Salaries	1,324,301	0	0	1,324,301
Employee fringe benefit	395,004	0	0	395,004
Purchased and contracted services	282,473	0	0	282,473
Library materials	267,236	49,015	0	316,251
Supplies	53,236	0	0	53,236
Other objects	15,377	0	0	15,377
Capital outlay	87,815	0	0	87,815
Total cash disbursements	2,425,442	49,015	0	2,474,457
Total cash receipts over (under) cash disbursement:	169,687	93,425	0	263,112
Fund cash balances, January 1, 2008	752,645	754,896	314,873	1,822,414
Fund cash balances, December 31, 2008	\$ 922,332	\$ 848,321	\$ 314,873	\$ 2,085,526
Reserve for encumbrances, December 31, 2008	\$ 113,250	\$ 985	\$ 0	\$ 114,235

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

MARION PUBLIC LIBRARY
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Marion Public Library, Marion 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 a seven-member Board of Trustees appointed by the Board of Education of the School District. The Library provides the community with various educational and literary resources.

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

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

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

- C. **Cash 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.

- 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:

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 accounted for in another fund.

Special Revenue Fund

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

Young Estate Trust Fund

During 2006, this fund was reclassified to a Special Revenue fund since the bequest of stock and its earnings can be expended for the purchase of books and reference materials for the Library.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects.

MARION PUBLIC LIBRARY
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted 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 Library's Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources

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

Encumbrances

The Library has elected to reserve (encumber) appropriations when commitments are made on selected expenses.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

- F. 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.
- G. Accumulated Leave** - In certain circumstances such as leaving employment, the employees are entitled to the amount of their unused leave (Vacation Time/Floating Holiday). Unused leave is not reflected as a liability under the basis of accounting the Library uses.

**MARION PUBLIC LIBRARY
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 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 was as follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	\$ 530,287	\$ 292,340
Certificates of deposit	1,284,109	1,302,557
Cash on hand	<u>1,000</u>	<u>1,000</u>
Total deposits and cash on hand	1,815,396	1,595,897
Star Ohio	336,199	485,154
Stock	<u>4,475</u>	<u>4,475</u>
Total investments	<u>340,674</u>	<u>489,629</u>
Total deposits and investments	<u><u>\$ 2,156,070</u></u>	<u><u>\$ 2,085,526</u></u>

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.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Stock securities held by the Library in the Young Estate Trust Fund are the foundation of a bequest executed in 1954. The securities are carried at the fair market value of the bequest on the date it was executed by the court system. The fair market value of these securities at December 31, 2009 and 2008 was \$18,076 and \$32,888, respectively.

MARION PUBLIC LIBRARY
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the years ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,138,835	\$ 2,142,953	\$ 4,118
Special revenue	12,901	13,735	834
Capital projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>2,151,736</u>	\$ <u>2,156,688</u>	\$ <u>4,952</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 2,947,918	\$ 2,115,747	\$ 832,171
Special revenue	860,236	68,689	791,547
Capital projects	<u>314,873</u>	<u>0</u>	<u>314,873</u>
Total	\$ <u>4,123,027</u>	\$ <u>2,184,436</u>	\$ <u>1,938,591</u>

MARION PUBLIC LIBRARY
MARION COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2009 AND 2008

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the years ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 2,601,333	\$ 2,595,129	\$ (6,204)
Special revenue	121,025	142,440	21,415
Capital projects	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>2,722,358</u>	\$ <u>2,737,569</u>	\$ <u>15,211</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,353,978	\$ 2,538,692	\$ 815,286
Special revenue	897,187	50,000	847,187
Capital projects	<u>314,873</u>	<u>0</u>	<u>314,873</u>
Total	\$ <u>4,566,038</u>	\$ <u>2,588,692</u>	\$ <u>1,977,346</u>

**MARION PUBLIC LIBRARY
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

NOTE 4 - PUBLIC LIBRARY FUND SUPPORT:-

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF), formerly known as the State Library and Local Government Support Fund (LLGSF). The PLF is allocated to each county based on the county's prior intangibles tax of PLF 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 5 - LEASE AGREEMENT:-

In August 1998, the Library entered into a five year rental agreement with the United States Post Office (the Post Office). The Post Office agreed to lease 1615 square feet of the Library's Prospect location for \$340 a month rent. In July 2003, the Post Office exercised a five year renewal option at a cost of \$390 a month for rent. On August 1, 2008, the Post Office then exercised another five year renewal option at the cost of \$6,000 annual rent payable in equal installments at the end of each calendar month at payments of \$500 with an expiration date of July 31, 2013. The future minimum rental receipts for the Library are as follows:

2010	\$	6,000
2011		6,000
2012		6,000
2013		<u>3,500</u>
Total	\$	<u><u>21,500</u></u>

NOTE 6 - RETIREMENT SYSTEMS:-

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2009 and 2008, OPERS members contributed 10% of their gross salaries, respectively. The Library contributed an amount equal to 14% of participants' gross salaries for 2009 and 2008. The Library has paid all contributions required through December 31, 2009.

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
Marion Public Library
Marion County

We have audited the financial statements of the Marion Public Library, Marion County, (the Library) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 23, 2010, 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 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 Library's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material financial statement misstatement will not be prevented, or detected and timely corrected.

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 that we consider material weaknesses.

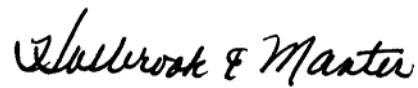
We also noted certain internal control matters that we reported to the Library's management in a separate letter dated June 23, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marion 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 we must report 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 23, 2010.

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 23, 2010

MARION PUBLIC LIBRARY
MARION COUNTY
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Significant Deficiency- Internal Control and Review Procedures	Yes	No Longer Valid



Mary Taylor, CPA
Auditor of State

MARION SCHOOL DISTRICT PUBLIC LIBRARY

MARION 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 28, 2010**