



Mary Taylor, CPA
Auditor of State

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	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>	13

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Mary Taylor, CPA
Auditor of State

McKinley Memorial Library
Trumbull County
40 Main Street
Niles, Ohio 44446

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 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. 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

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Auditor of State

July 30, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

McKinley Memorial Library
Trumbull County
40 Main Street
Niles, Ohio 44446

To the Board of Trustees:

We have audited the accompanying financial statements of McKinley Memorial Library, Trumbull County, (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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require 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, 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 McKinley Memorial Library , Trumbull County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 30, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 30, 2010

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency	
Cash Receipts:					
Library and Local Government Support	\$871,644				\$871,644
Intergovernmental	1,000				1,000
Patron Fines and Fees	25,186				25,186
Services Provided to Other Entites				\$48,786	48,786
Contributions, Gifts and Donations	65,687	\$2,000			67,687
Earnings on Investments	8,675			206	8,881
Miscellaneous	15,299				15,299
Total Cash Receipts	987,491	2,000		48,992	1,038,483
Cash Disbursements:					
Current:					
Salaries	484,399				484,399
Employee Fringe Benefits	166,536				166,536
Purchased and Contractual Services	131,278			45,292	176,570
Library Materials and Information	105,746			3,407	109,153
Supplies	14,468				14,468
Other	4,242				4,242
Capital Outlay	5,841		8,797	313	14,951
Total Cash Disbursements	912,510		8,797	49,012	970,319
Total Receipts Over / (Under) Disbursements	74,981	2,000	(8,797)	(20)	68,164
Other Financing Receipts / (Disbursements):					
Transfers-In			18,357		18,357
Transfers-Out	(18,357)				(18,357)
Total Other Financing Receipts / (Disbursements)	(18,357)		18,357		
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	56,624	2,000	9,560	(20)	68,164
Fund Cash Balances, January 1, 2009	175,917		315,440	226	491,583
Fund Cash Balances, December 31, 2009	\$232,541	\$2,000	\$325,000	\$206	\$559,747
Reserve for Encumbrances, December 31, 2009	\$26,289		\$5,000	\$194	\$31,483

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

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Capital Projects	Agency	
Cash Receipts:				
Library and Local Government Support	\$1,055,724			\$1,055,724
Intergovernmental	1,250			1,250
Patron Fines and Fees	27,917			27,917
Services Provided to Other Entities			\$49,178	49,178
Contributions, Gifts and Donations	17,996			17,996
Earnings on Investments	15,267			15,267
Miscellaneous	30,473			30,473
				<hr/>
Total Cash Receipts	1,148,627		49,178	1,197,805
Cash Disbursements:				
Current:				
Salaries	538,343			538,343
Employee Fringe Benefits	153,559			153,559
Purchased and Contractual Services	180,546		45,603	226,149
Library Materials and Information	186,346		3,033	189,379
Supplies	27,994			27,994
Other	3,863			3,863
Capital Outlay	37,551	\$5,700	90	43,341
				<hr/>
Total Cash Disbursements	1,128,202	5,700	48,726	1,182,628
				<hr/>
Total Receipts Over/(Under) Disbursements	20,425	(5,700)	452	15,177
				<hr/>
Fund Cash Balances, January 1, 2008	155,492	321,140	(226)	476,406
				<hr/>
Fund Cash Balances, December 31, 2008	\$175,917	\$315,440	\$226	\$491,583
				<hr/>
Reserve for Encumbrances, December 31, 2008	\$13,887	\$1,689	\$226	\$15,802
				<hr/>

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

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 McKinley Memorial Library, Trumbull County, (the Library) as a body corporate and politic. The Board of Education of the Niles City School District appoints a seven-member Board of Trustees to govern the Library. 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. 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 the Auditor of State prescribes or permits.

C. Deposits 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 and common stock 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. Special Revenue Funds

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

Local Grant Fund – grant funds to be used by the Library for programs to educate, inform and entertain the community.

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

State Filtering Grant Fund – An LSTA grant through the State Library for internet filtering software.

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital projects funds:

McKinley Birthplace Building and Repair Fund – This fund is used to account for the construction and maintenance of the Replica House.

McKinley Memorial Library Building Repair & Improvement Fund – This fund is used to account for major capital improvements and repairs to the Library.

Technology Fund – This fund is used for the purchase and update of computers and related equipment.

4. Fiduciary Fund

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations and other governments. The Library disburses these funds as directed by the individual, organization or other government. The Library had the following significant agency fund:

Trumbull Independent Public Libraries Fund – The Library serves as fiscal agent for the independent libraries in Trumbull County which have formed a consortium to provide circulation, cataloging and library card services to its participants.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2009 and 2008 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.

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand Deposits:	\$45,534	\$24,273
Certificates of Deposit	106,716	103,462
Money Market Fund	387,466	356,455
Total Deposits	539,716	484,190
Star Ohio	7,414	7,393
Common stock (at cost, fair value was \$18,337.56 at December 31, 2009)	12,617	
Total Investments	20,031	7,393
Total Deposits and Investments	\$559,747	\$491,583

At December 31, 2009 the Library held \$12,617 in equity securities. Equity securities are not eligible investments for the Library under Ohio law. However, these equity securities were donated to the Library.

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 2009 and 2008 follow:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$977,481	\$987,491	\$10,010
Special Revenue	0	2,000	2,000
Capital Projects	0	18,357	18,357
Agency Fund	54,772	48,992	(5,780)
Total	\$1,032,253	\$1,056,840	\$24,587

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,153,397	\$ 957,156	\$ 196,241
Capital Projects	315,439	13,797	301,642
Agency Fund	54,998	49,206	5,792
Total	<u>\$ 1,523,834</u>	<u>\$ 1,020,159</u>	<u>\$ 503,675</u>

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,139,925	\$1,148,627	\$8,702
Agency	84,139	49,178	(34,961)
Total	<u>\$1,224,064</u>	<u>\$1,197,805</u>	<u>(\$26,259)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,317,540	\$ 1,142,089	\$ 175,451
Capital Projects	321,140	7,389	313,751
Agency Fund	89,814	48,952	40,862
Total	<u>\$ 1,728,494</u>	<u>\$ 1,198,430</u>	<u>\$ 530,064</u>

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the Public Library Fund (formerly the Library and Local Government Support Fund). The State allocates the Public Library fund to each county based on the county's prior intangibles tax of Public Library Fund 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 SYSTEMS

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 prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2009.

**MCKINLEY MEMORIAL LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Directors and Officers Liability and Employment Practices Liability

7. SUBSEQUENT EVENTS

The Library Board, in conjunction with the Niles City Schools Board of Education, is in the process of placing a new property tax levy on the ballot in the November 2010 general election.

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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*

McKinley Memorial Library
Trumbull County
40 Main Street
Niles, Ohio 44446

To the Board of Trustees:

We have audited the financial statements of the McKinley Memorial Library, Trumbull County, (the Library) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 30, 2010, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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 combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 30, 2010



Mary Taylor, CPA
Auditor of State

MCKINLEY MEMORIAL LIBRARY

TRUMBULL 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, 2010**