



**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Brown Memorial Library
Preble County
101 Commerce Street
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of the Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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 audit to obtain reasonable assurance about 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2000, 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 grants.

This report is intended solely for the information and use of the management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 23, 2000

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**BROWN MEMORIAL LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Local taxes	\$111,217		\$111,217
Patron fines and fees	3,581		3,581
Earnings on investments		\$8,248	8,248
Contributions, gifts and donations	900		900
	<u>115,698</u>	<u>8,248</u>	<u>123,946</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries and benefits	84,667		84,667
Supplies	7,846		7,846
Purchased and contracted services	15,190		15,190
Library materials and information	60,240		60,240
Miscellaneous	633		633
Capital Outlay	14,771		14,771
	<u>183,347</u>		<u>183,347</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(67,649)</u>	<u>8,248</u>	<u>(59,401)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	101,992		101,992
Transfers-Out		(101,992)	(101,992)
	<u>101,992</u>	<u>(101,992)</u>	<u></u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	34,343	(93,744)	(59,401)
Fund Cash Balances, January 1	<u>27,340</u>	<u>189,971</u>	<u>217,311</u>
Fund Cash Balances, December 31	<u>\$61,683</u>	<u>\$96,227</u>	<u>\$157,910</u>
Reserves for Encumbrances, December 31	<u>\$5,761</u>	<u></u>	<u>\$5,761</u>

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

**BROWN MEMORIAL LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$87,652		\$87,652
Patron Fines and Fees	1,055		1,055
Earnings on Investments		\$14,080	14,080
Contributions, Gifts and Donations	300		300
	<u>89,007</u>	<u>14,080</u>	<u>103,087</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	74,401		74,401
Supplies	6,625		6,625
Purchased and contracted services	13,683		13,683
Library materials and information	86,982		86,982
Miscellaneous	2,565		2,565
Capital Outlay	12,731		12,731
	<u>196,987</u>		<u>196,987</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(107,980)</u>	<u>14,080</u>	<u>(93,900)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	64,086		64,086
Transfers-Out		(64,086)	(64,086)
	<u>64,086</u>	<u>(64,086)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(43,894)	(50,006)	(93,900)
Fund Cash Balances, January 1	<u>71,234</u>	<u>239,977</u>	<u>311,211</u>
Fund Cash Balances, December 31	<u>\$27,340</u>	<u>\$189,971</u>	<u>\$217,311</u>
Reserves for Encumbrances, December 31	<u>\$8,440</u>		<u>\$8,440</u>

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

**BROWN MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Brown Memorial Library, Preble County, (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 six-member Board of Trustees. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting 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 Deposits

Certificates of deposit are valued 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:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

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

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Appropriations

The Ohio Administrative Code, Section 117-4-07, requires each library on or about the first day of each year to pass an appropriation measure which can be amended during the year. Each Board must maintain an appropriation and authorization ledger.

**BROWN MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

The Ohio Administrative Code, Section 114-1-10, requires each library on or about the first day of each year to certify to the County Auditor the total amount from all sources for expenditure from each fund in the tax budget, with any balances that existed at the end of the preceding year. Upon determination of the Clerk-Treasurer that the revenue collected by the Board will be greater or less than the amount included in an official certificate, the Clerk-Treasurer certifies the amount of excess or deficiency to the budget commission.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over. The Library did not use the encumbrance method of accounting. However, a review was performed to determine the amount of encumbrances at year-end which were not recorded. These amounts have been added to the financial statements as Reserves for Encumbrances, December 31.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 49,121	\$ 14,170
Certificates of deposit	<u>108,789</u>	<u>203,141</u>
Total deposits	<u>\$157,910</u>	<u>\$217,311</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**BROWN MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,210	\$217,690	\$105,480
Capital Projects	14,000	8,248	(5,752)
Total	\$126,210	\$225,938	\$99,728

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$196,988	\$189,108	\$7,880
Capital Projects	14,000	101,992	(101,992)
Total	\$196,988	\$291,100	(\$94,112)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,008	\$153,093	\$58,085
Capital Projects	14,000	14,080	80
Total	\$109,008	\$167,173	\$58,165

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,307	\$205,427	(\$87,120)
Capital Projects	14,000	64,086	(64,086)
Total	\$118,307	\$269,513	(\$151,206)

4. GRANTS-IN-AID AND TAX RECEIPTS

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 on account of any additional revenues realized by the Library.

**BROWN MEMORIAL LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the comprehensive property and general liability risks.

7. COMPLIANCE

The Library did not post the annual appropriations resolutions to the appropriations ledger. The Library also did not post estimated receipts to its receipts ledger.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Brown Memorial Library
Preble County
101 Commerce Street
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of the Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-00368-001 through 1999-00368-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated June 23, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 1999-00368-001 through 1999-00368-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Library in a separate letter dated June 23, 2000.

This report is intended solely for the information and use of the management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

June 23, 2000

**BROWN MEMORIAL LIBRARY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-00368-001

Noncompliance Citation and Internal Control Reportable Condition

Ohio Admin. Code, Section 117-04-14, requires each board of library trustees to execute a purchase order when offering to buy goods or services. Of the 40 expenditures tested, none used a purchase order and none were properly encumbered. The amount of each purchase order shall be encumbered as set forth in Section 117-04-07 of the Ohio Administrative Code before it is issued.

Failure to encumber can result in loss of budgetary accountability and negative fund balances.

We recommend the Library utilize the encumbrance method of accounting through the use of purchase orders and by properly posting encumbrances in their ledgers. Management should monitor to ensure that encumbrances are properly posted.

FINDING NUMBER 1999-00368-002

Noncompliance Citation and Internal Control Reportable Condition

Ohio Admin. Code, Section 117-04-07, requires that a library board shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution. Each disbursement or an encumbrance charged against an appropriation shall be posted to and subtracted from the appropriated balance producing a declining unencumbered balance. The Library does not post appropriations for each appropriation account.

Failure to post appropriations to each appropriation account can result in negative fund balances.

We recommend the Library post appropriations from the annual appropriations resolution to the appropriations ledger and maintain a running balance of remaining appropriations. Management should monitor to ensure appropriations are properly posted.

FINDING NUMBER 1999-00368-003

Noncompliance Citation and Internal Control Reportable Condition

Ohio Admin. Code, Section 117-04-06, requires each board shall post to each account the estimated amount of money anticipated to be received into the account as specified by the budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

The estimated amount shall be entered in the "Balance" column heading "Memoranda". The Library did not post estimated receipts to its receipts ledger.

Failure to post estimated receipts and to monitor revenue can result in uncollected revenue due to the Library.

We recommend the Library post estimated receipts and that management monitor the process to ensure that all receipts are properly collected and booked.



STATE OF OHIO
OFFICE OF THE AUDITOR

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BROWN MEMORIAL LIBRARY

PREBLE 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
JULY 25, 2000**