



**Auditor of State  
Betty Montgomery**



PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY

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**Auditor of State  
Betty Montgomery**

Preble County District Library  
Preble County  
450 South Barron Street  
Eaton, Ohio 45320

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 3, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Preble County District Library  
Preble County  
450 South Barron Street  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the accompanying financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since the 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 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the year 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 Preble County District Library, Preble County, Ohio, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 November 3, 2005, 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.



**Betty Montgomery**  
Auditor of State

November 3, 2005



**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Government Grant-in-Aid	\$1,339,701			\$1,339,701
Patron Fines and Fees	9,524			9,524
Earnings on Investments	955		\$35	990
Contributions, Gifts and Donations	2,333			2,333
Miscellaneous Receipts	26,558			26,558
	<u>1,379,071</u>	<u>0</u>	<u>35</u>	<u>1,379,106</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	730,954			730,954
Purchased and Contracted Services	192,288			192,288
Library Materials and Information	214,874	593	34	215,501
Other	65,236			65,236
Capital Outlay	34,593			34,593
	<u>1,237,945</u>	<u>593</u>	<u>34</u>	<u>1,238,572</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>141,126</u>	<u>(593)</u>	<u>1</u>	<u>140,534</u>
Fund Cash Balances, January 1	<u>233,808</u>	<u>2,091</u>	<u>3,719</u>	<u>239,618</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$374,934</u></b>	<b><u>\$1,498</u></b>	<b><u>\$3,720</u></b>	<b><u>\$380,152</u></b>
Reserves for Encumbrances, December 31	<u>\$11,443</u>	<u>\$49</u>	<u>\$0</u>	<u>\$11,492</u>

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

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Government Grant-in-Aid	\$1,316,234			\$1,316,234
Patron Fines and Fees	10,414			10,414
Earnings on Investments	1,018		\$75	1,093
Contributions, Gifts and Donations	1,187	\$5,000		6,187
Miscellaneous Receipts	23,853			23,853
Total Cash Receipts	<u>1,352,706</u>	<u>5,000</u>	<u>75</u>	<u>1,357,781</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	756,289			756,289
Purchased and Contracted Services	175,188			175,188
Library Materials and Information	207,071	7,553		214,624
Other	38,731			38,731
Capital Outlay	19,696			19,696
Total Cash Disbursements	<u>1,196,975</u>	<u>7,553</u>	<u>0</u>	<u>1,204,528</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>155,731</u>	<u>(2,553)</u>	<u>75</u>	<u>153,253</u>
Fund Cash Balances, January 1	<u>78,077</u>	<u>4,644</u>	<u>3,644</u>	<u>86,365</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$233,808</u></b>	<b><u>\$2,091</u></b>	<b><u>\$3,719</u></b>	<b><u>\$239,618</u></b>
Reserves for Encumbrances, December 31	<u>\$8,958</u>	<u>\$1,241</u>	<u>\$0</u>	<u>\$10,199</u>

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

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**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 Preble County District Library, Preble County, Ohio (the Library), as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. Four Board members are appointed by the Preble County Commissioners and three are appointed by the Preble County Common Pleas Judge. 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Cash and Investments**

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

The Library values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Capital Project Funds**

These funds account for receipts restricted for the acquisition or construction of major capital projects. The Library had the following Capital Project Fund:

Building Fund – This fund is used to record the related receipts and expenditures of the Library's building fund.

**3. Fiduciary Funds (Expendable Trust Fund)**

Trust funds account for resources restricted by legally binding trust agreements. The Library had the following significant fiduciary fund:

Scott Sheley Fund – Used to record the receipts and expenditures of the Scott Sheley Trust Fund.

**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 object level of control. Although not required by law to encumber, the Library has chosen to utilize the encumbrance method of accounting.

A summary of 2004 and 2004 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.

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**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 follows:

	2004	2003
Demand deposits	\$368,709	\$225,241
Certificates of deposit		3,075
Cash on hand	300	300
Total deposits and cash on hand	369,009	228,616
 STAR Ohio	 11,143	 11,002
Total deposits and investments	\$380,152	\$239,618

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

**Investments:** Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,370,141	\$1,379,071	\$8,930
Capital Projects	0	0	0
Fiduciary	0	35	35
Total	\$1,370,141	\$1,379,106	\$8,965

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,326,539	\$1,249,388	\$77,151
Capital Projects	2,091	642	1,449
Fiduciary	700	34	666
Total	\$1,329,330	\$1,250,064	\$79,266

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,349,045	\$1,352,706	\$3,661
Capital Projects	5,000	5,000	0
Fiduciary	100	75	(25)
Total	\$1,354,145	\$1,357,781	\$3,636

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,199,126	\$1,205,933	(\$6,807)
Capital Projects	9,644	8,794	850
Fiduciary	300	0	300
Total	\$1,209,070	\$1,214,727	(\$5,657)

**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 of any additional revenues the Library receives.

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

**PREBLE COUNTY DISTRICT LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**7. RELATED PARTY TRANSACTIONS**

The Library purchased supplies from Ace Hardware in Eaton, which is owned by Alice Lindley, a Board member through December 2003. During 2003, the Library purchased supplies from Ace Hardware totaling \$1,541.

**8. PENDING LITIGATION**

The Library is a defendant in a lawsuit. Although counsel can not determine the outcome of this suit, counsel believes that the resolution of this matter will not materially adversely affect the Library's financial condition.

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## Auditor of State Betty Montgomery

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

Preble County District Library  
Preble County  
450 South Barron Street  
Eaton, Ohio 45320

To the Board of Trustees:

We have audited the financial statements of the Preble County District Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 3, 2005, wherein we noted the Library follows the 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated November 3, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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*. In a separate letter to the Library's management dated November 3, 2005, we reported another matter related to noncompliance we deemed immaterial.

Preble County District Library  
Preble County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and the Board of Trustees and is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 3, 2005



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**PREBLE COUNTY DISTRICT 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  
NOVEMBER 22, 2005**