



**Auditor of State  
Betty Montgomery**



**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Findings .....	11
Schedule of Prior Audit Findings .....	13

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Brown Memorial Library  
Preble County  
101 South Commerce Street  
P.O. Box 640  
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002. 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 *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, 2003 and 2002, 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 September 16, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 16, 2004

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$136,187		\$136,187
Patron Fines and Fees	7,253		7,253
Earnings on Investments	14	\$2,029	2,043
Contributions, Gifts and Donations	246		246
Miscellaneous Receipts	89		89
	<u>143,789</u>	<u>2,029</u>	<u>145,818</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	78,197		78,197
Supplies	4,793		4,793
Purchased and Contracted Services	19,521		19,521
Library Material and Information	20,014		20,014
Other	1,279		1,279
Capital Outlay	1,595		1,595
	<u>125,399</u>	<u>0</u>	<u>125,399</u>
Total Cash Receipts Over Cash Disbursements	<u>18,390</u>	<u>2,029</u>	<u>20,419</u>
Fund Cash Balances, January 1	<u>93,521</u>	<u>115,262</u>	<u>208,783</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$111,911</u></b>	<b><u>\$117,291</u></b>	<b><u>\$229,202</u></b>

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>General</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$137,563		\$137,563
Patron Fines and Fees	7,458		7,458
Earnings on Investments		\$3,228	3,228
Contributions, Gifts and Donations	1,055		1,055
Miscellaneous Receipts	563		563
 Total Cash Receipts	 146,639	 3,228	 149,867
<b>Cash Disbursements:</b>			
Current:			
Salaries and Benefits	88,955		88,955
Supplies	6,364		6,364
Purchased and Contractual Services	20,588		20,588
Library Material and Information	24,264		24,264
Other	3,906		3,906
Capital Outlay	7,082		7,082
 Total Cash Disbursements	 151,159	 0	 151,159
 Total Cash Receipts Over/(Under) Cash Disbursements	 (4,520)	 3,228	 (1,292)
 Fund Cash Balances, January 1	 98,041	 112,034	 210,075
 <b>Fund Cash Balances, December 31</b>	 <b>\$93,521</b>	 <b>\$115,262</b>	 <b>\$208,783</b>

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Brown Memorial Library, Preble 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 Ohio. The Library is directed by a six-member Board of Trustees appointed by the Village of Lewisburg Council. The Library provides the community with various educational and literary resources. The Village of Lewisburg is a related organization to the Library, see Note 8.

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.

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 Funds**

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the object level of control.

A summary of 2003 and 2002 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**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 cash and deposits at December 31 follows:

Demand deposits	\$57,612	\$38,799
Certificates of deposit	171,590	169,984
Total deposits	\$229,202	\$208,783

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$162,856	\$125,399	\$37,457
Capital Projects	0	0	0
Total	\$162,856	\$125,399	\$37,457

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$148,164	\$151,159	(\$2,995)
Capital Projects	0	0	0
Total	\$148,164	\$151,159	(\$2,995)

**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 based on of any additional revenues the Library receives.

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 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, 2003.

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Brown Memorial Library has obtained commercial insurance for the following risks:

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

**7. RELATED PARTY TRANSACTIONS**

The Library had electrical work performed by the husband of a Co-Director. Melissa Ewry is a Co-Director of the Library. Her husband's company is Ewry Electrical Systems. During 2003, the Library purchased electrical services from Ewry Electrical Systems in the amount of \$426.00.

**8. RELATED ORGANIZATION**

The Village of Lewisburg is a related organization to the Library. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Village represent a potential financial benefit or burden to the Library.

**9. COMPLIANCE**

Contrary to Ohio law, the Library did not record appropriations or estimated receipts in the appropriate ledgers.



## **Auditor of State Betty Montgomery**

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

Brown Memorial Library  
Preble County  
101 South Commerce Street  
P.O. Box 640  
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 16, 2004. 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.

#### **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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated September 16, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-001.

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 the reportable condition described above is not a material weakness.

We also noted other matters in the internal control 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 September 16, 2004.

This report is intended solely for the information and use of management and Board of Trustees, and is not intended to be and should not be used by 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

September 16, 2004

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2003-001**

**Noncompliance/Reportable Condition**

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code, Section 117-8-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Library with information required to monitor compliance with budget, and prepare annual reports in the format required by the Auditor of State.

The Library does not post appropriations for each appropriation account nor does the Library post estimated receipts to its receipts ledger.

Failure to post appropriations to each appropriation account can result in negative fund balances. Failure to post estimated receipts and to monitor revenue can result in collected revenue due to the Library.

We recommend the Library post appropriations from the annual appropriations resolution to the appropriations ledger and maintain a running balance of remaining appropriation. The Library should also post estimated receipts to the receipts ledger. Management should monitor the process to verify that all receipts are properly collected and booked.

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**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-00368-001	Ohio Admin Code Section 117-4-14: Failure to certify funds	Yes	Finding No Longer Valid
2001-00368-002	Ohio Admin Code Section 117-2-02(A): Failure to post appropriations and estimated receipts	No	Not Corrected; reissued as Finding Number 2003-001
2001-00368-003	Ohio Admin Code Section 117-8-02: Expenditures exceeded appropriations	No	Partially corrected. Reissued as management letter citation.





**Auditor of State  
Betty Montgomery**

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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  
OCTOBER 5, 2004**