



**Auditor of State  
Betty Montgomery**



MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Mary Lou Johnson District Library  
Hardin County  
325 East Columbus Street  
Kenton, Ohio 43326

To the Board of Trustees:

We have audited the accompanying financial statements of the Mary Lou Johnson District Library, Hardin County (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.

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 and reserves for encumbrances 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 April 14, 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

April 14, 2004

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$557,812			\$557,812
Patron Fines and Fees	18,388			18,388
Earnings on Investments	7,485	2,311	86,941	96,737
Contributions, Gifts and Donations	8,113		800	8,913
Miscellaneous Receipts	18,309			18,309
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	610,107	2,311	87,741	700,159
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	318,071			318,071
Employee Fringe Benefits	86,298			86,298
Purchased and Contracted Services	83,697			83,697
Library Materials and Information	131,421			131,421
Supplies	32,340			32,340
Other Objects	4,452			4,452
Capital Outlay	9,542			9,542
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	665,821			665,821
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(55,714)	2,311	87,741	34,338
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	137,707	184,746	1,651,758	1,974,211
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<u>\$81,993</u>	<u>\$187,057</u>	<u>\$1,739,499</u>	<u>\$2,008,549</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$25,001</u>			<u>\$25,001</u>

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

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$563,678			\$563,678
Patron Fines and Fees	20,412			20,412
Earnings on Investments	9,835	5,399	108,228	123,462
Contributions, Gifts and Donations	12,964		2,300	15,264
Miscellaneous Receipts	4,747			4,747
Total Cash Receipts	<u>611,636</u>	<u>5,399</u>	<u>110,528</u>	<u>727,563</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	294,418			294,418
Employee Fringe Benefits	46,728			46,728
Purchased and Contracted Services	93,602			93,602
Library Materials and Information	145,387		1,669	147,056
Supplies	26,682			26,682
Other Objects	5,955			5,955
Capital Outlay	39,516			39,516
Total Cash Disbursements	<u>652,288</u>		<u>1,669</u>	<u>653,957</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(40,652)	5,399	108,859	73,606
Fund Cash Balances, January 1	<u>178,359</u>	<u>179,347</u>	<u>1,542,899</u>	<u>1,900,605</u>
<b>Fund Cash Balances, December 31</b>	<u>\$137,707</u>	<u>\$184,746</u>	<u>\$1,651,758</u>	<u>\$1,974,211</u>
Reserves for Encumbrances, December 31	<u>\$12,383</u>			<u>\$12,383</u>

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



**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Mary Lou Johnson District Library, Hardin 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 Ohio. The Library is directed by a seven-member Board of Trustees of which four are appointed by the County Commissioners and three are appointed by the Hardin 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 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 Investments**

The cost or fair value of investments, at the time of donation, are included in the cash fund balance. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, savings accounts, and common stock are valued at cost or fair value when donated.

**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**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library has one capital project fund which is accumulating resources for future capital improvements.

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

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

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

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant expendable trust fund:

The Johnson Trust Fund is comprised of donated securities and their accumulated interest and dividends. The trust interest and dividends received from the donated securities, along with the principal, may be used for library operations.

**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 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 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 follows:

	<b>2003</b>	<b>2002</b>
Demand deposits	\$461,453	\$348,743
Savings accounts	463,397	
Certificates of deposit	845,273	1,387,042
Total deposits	1,770,123	1,735,785
Common stock	238,426	238,426
Total deposits and investments	\$2,008,549	\$1,974,211

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (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:** At December 31, 2003 and 2002, the Library held equity securities with a market value of \$2,725,700 and \$2,303,474, respectively. These securities, held by an investment firm in the name of Library, have a donated value of \$238,426. Such securities are not eligible investments for the Library to purchase under Ohio law; however, these investments were donated to the Library. The donated value of these securities is included in the fund balance of the Library's Expendable Trust Fund.

**3. BUDGETARY ACTIVITY**

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

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$724,000	\$690,822	\$33,178
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	\$724,000	\$690,822	\$33,178

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$816,913	\$664,671	\$152,242
Capital Projects	0	0	0
Fiduciary	1,669	1,669	0
Total	\$818,582	\$666,340	\$152,242

**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.

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN COUNTY**

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

**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 for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Mary Lou Johnson District Library has obtained commercial insurance for the following risks:

- Comprehensive property;
- General liability;
- Vehicles;
- Inland marine;
- Commercial crime;
- Boiler and machinery;
- Commercial umbrella

**7. RELATED PARTY TRANSACTIONS**

A Trustee is part owner of a company from which the Library acquired printing services during 2003 and 2002. The Library paid \$1,246 in 2003 and \$690 in 2002 for these services.



## Auditor of State Betty Montgomery

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

Mary Lou Johnson District Library  
Hardin County  
325 East Columbus Street  
Kenton, Ohio 45810

To the Board of Trustees:

We have audited the accompanying financial statements of the Mary Lou Johnson District Library, Hardin County, (the "Library") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 14, 2004, wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated April 14, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated April 14, 2004.

Mary Lou Johnson District Library  
Hardin County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Governmental Auditing Standards*  
Page 2

This report is intended solely for the information and use of the 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

April 14, 2004

**MARY LOU JOHNSON DISTRICT LIBRARY  
HARDIN 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; <i><b>Explain:</b></i>
2001-00233-001	Leave accumulation and usage, and employee handbook	Yes	







**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

**MARY LOU JOHNSON DISTRICT LIBRARY**

**HARDIN 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  
MAY 6, 2004**