



**Auditor of State  
Betty Montgomery**



MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Middletown Public Library  
Butler County  
125 South Broad Street  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the accompanying financial statements of the Middletown Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2003 and December 31, 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 and reserves for encumbrances of the Library as of December 31, 2003 and December 31, 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 5, 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 the audit committee, management, Board of Trustees and other officials authorized to receive this report under Section 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 5, 2004

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER 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>				
Other Government Grants-In-Aid	\$4,914,337	\$0	\$0	\$4,914,337
Patron Fines and Fees	224,021	0	0	224,021
Earnings on Investments	81,785	0	1,253	83,038
Contributions, Gifts and Donations	11,955	0	7,727	19,682
Miscellaneous Receipts	13,711	0	0	13,711
	<u>5,245,809</u>	<u>0</u>	<u>8,980</u>	<u>5,254,789</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	3,166,495	0	5,563	3,172,058
Library Materials and Information	995,045	0	15,693	1,010,738
Supplies	100,949	0	0	100,949
Purchased and Contracted Services	785,625	13,131	0	798,756
Other Objects	13,350	0	0	13,350
Capital Outlay	107,120	158,972	0	266,092
	<u>5,168,584</u>	<u>172,103</u>	<u>21,256</u>	<u>5,361,943</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>77,225</u>	<u>(172,103)</u>	<u>(12,276)</u>	<u>(107,154)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sales of Property	7,365	0	0	7,365
Transfers-In	0	250,000	0	250,000
Transfers-Out	(250,000)	0	0	(250,000)
	<u>(242,635)</u>	<u>250,000</u>	<u>0</u>	<u>7,365</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(165,410)	77,897	(12,276)	(99,789)
Fund Cash Balances, January 1	<u>3,920,542</u>	<u>1,838,223</u>	<u>84,648</u>	<u>5,843,413</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$3,755,132</b></u>	<u><b>\$1,916,120</b></u>	<u><b>\$72,372</b></u>	<u><b>\$5,743,624</b></u>
Reserves for Encumbrances, December 31	<u><u>\$231,916</u></u>	<u><u>\$13,441</u></u>	<u><u>\$0</u></u>	<u><u>\$245,357</u></u>

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

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER 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, 2002**

	<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>				
Other Government Grants-In-Aid	\$4,964,465	\$0	\$0	\$4,964,465
Patron Fines and Fees	220,884	0	0	220,884
Earnings on Investments	181,756	0	2,055	183,811
Contributions, Gifts and Donations	728	0	6,768	7,496
Miscellaneous Receipts	8,742	0	0	8,742
<b>Total Cash Receipts</b>	<u>5,376,575</u>	<u>0</u>	<u>8,823</u>	<u>5,385,398</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	3,059,804	0	8,784	3,068,588
Purchased and Contracted Services	840,555	46,462	0	887,017
Library Materials and Information	1,050,496	0	12,265	1,062,761
Supplies	144,110	0	0	144,110
Other Objects	13,632	0	0	13,632
Capital Outlay	88,958	197,953	2,893	289,804
<b>Total Cash Disbursements</b>	<u>5,197,555</u>	<u>244,415</u>	<u>23,942</u>	<u>5,465,912</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>179,020</u>	<u>(244,415)</u>	<u>(15,119)</u>	<u>(80,514)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sales of Property	5,978	0	0	5,978
Transfers-In	0	250,000	0	250,000
Transfers-Out	(250,000)	0	0	(250,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(244,022)</u>	<u>250,000</u>	<u>0</u>	<u>5,978</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(65,002)	5,585	(15,119)	(74,536)
Fund Cash Balances, January 1	<u>3,985,544</u>	<u>1,832,638</u>	<u>99,767</u>	<u>5,917,949</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$3,920,542</b></u>	<u><b>\$1,838,223</b></u>	<u><b>\$84,648</b></u>	<u><b>\$5,843,413</b></u>
Reserves for Encumbrances, December 31	<u>\$286,069</u>	<u>\$11,110</u>	<u>\$15,000</u>	<u>\$312,179</u>

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



**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Middletown Public Library, Butler 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 seven-member Board of Trustees appointed by the Middletown City Council. 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 Investments**

Investments are reported as assets. Accordingly, 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 deposits 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**

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 had the following significant capital project fund:

Building and Repair Fund

Used to record the related receipts and expenditures of the Library's building repairs.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

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

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

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

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

Educational Assistance Fund

Used to record the receipts and expenditures of the associated with the purchase of materials designated by donations.

Memorial Fund

Used to record the receipts and expenditures associated with trust donations.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments per the Ohio Administrative Code. Unencumbered appropriations lapse at year end. Budgetary expenditures 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:

	2003	2002
Petty Cash	\$1,000	\$1,000
Demand deposits	5,742,624	3,842,413
Total deposits	5,743,624	3,843,413
Certificates of deposit	0	2,000,000
Total deposits and investments	\$5,743,624	\$5,843,413

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

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER COUNTY**

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

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,849,519	\$5,650,500	\$2,199,019
Capital Projects	461,110	185,544	275,566
Expendable Trust	32,500	21,256	11,244
Total	<u>\$8,343,129</u>	<u>\$5,857,300</u>	<u>\$2,485,829</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,860,601	\$5,733,624	\$2,126,977
Capital Projects	460,928	255,525	205,403
Expendable Trust	48,158	38,942	9,216
Total	<u>\$8,369,687</u>	<u>\$6,028,091</u>	<u>\$2,341,596</u>

**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.

**MIDDLETOWN PUBLIC LIBRARY  
BUTLER 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. The Library has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

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



## **Auditor of State Betty Montgomery**

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

Middletown Public Library  
Butler County  
125 South Broad Street  
Middletown, Ohio 45044

To the Board of Trustees:

We have audited the accompanying financial statements of the Middletown Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 5, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### **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.

This report is intended solely for the information and use of the audit committee, 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 5, 2004



**Auditor of State  
Betty Montgomery**

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**MIDDLETOWN PUBLIC LIBRARY**

**BUTLER 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  
JUNE 10, 2004**