



**Auditor of State
Betty Montgomery**

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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**Auditor of State
Betty Montgomery**

Washington-Centerville Public Library
Montgomery County
111 West Spring Valley Road
Centerville, Ohio 45458

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 Library 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

June 20, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Washington-Centerville Public Library
Montgomery County
111 West Spring Valley Road
Centerville, Ohio 45458

To the Board of Trustees:

We have audited the accompanying financial statements of Washington-Centerville Public Library, Montgomery County, (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 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 this 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 their changes in financial position for the year then ended.

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

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 Library as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the 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 June 20, 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

June 20, 2005

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY 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, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$3,253,684				\$3,253,684
Library and Local Government Support	2,607,168				2,607,168
Intergovernmental	418,382				418,382
Patron Fines and Fees	213,577				213,577
Contributions, Gifts and Donations	444				444
Earnings on Investments	213,084				213,084
Miscellaneous	11,407				11,407
Total Cash Receipts	<u>6,717,746</u>				<u>6,717,746</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	3,855,244				3,855,244
Purchased and Contracted Services	586,314				586,314
Library Materials and Information	963,706				963,706
Supplies	166,803				166,803
Capital Outlay	93,308		38,372		131,680
Other	7,391				7,391
Total Cash Disbursements	<u>5,672,766</u>		<u>38,372</u>		<u>5,711,138</u>
Total Cash Receipts Over/(Under) Cash Disbursements	1,044,980		(38,372)		1,006,608
Fund Cash Balances, January 1	<u>2,480,178</u>	<u>2,250,186</u>	<u>4,372,757</u>	<u>1,000</u>	<u>9,104,121</u>
Fund Cash Balances, December 31	<u>\$3,525,158</u>	<u>\$2,250,186</u>	<u>\$4,334,385</u>	<u>\$1,000</u>	<u>\$10,110,729</u>
Reserves for Encumbrances, December 31	<u>\$510,193</u>				<u>\$510,193</u>

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

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY 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>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$3,218,882				\$3,218,882
Library and Local Government Support	2,591,039				2,591,039
Intergovernmental	395,012				395,012
Patron Fines and Fees	202,022				202,022
Contributions, Gifts and Donations	1,763				1,763
Earnings on Investments	249,289				249,289
Miscellaneous	7,299				7,299
	<u>6,665,306</u>				<u>6,665,306</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Salaries and Benefits	3,600,607				3,600,607
Purchased and Contracted Services	583,772		50,961	150	634,883
Library Materials and Information	881,704				881,704
Supplies	173,651				173,651
Capital Outlay	156,090		260,712		416,802
Other	7,579				7,579
	<u>5,403,403</u>		<u>311,673</u>	<u>150</u>	<u>5,715,226</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	1,261,903		(311,673)	(150)	950,080
Other Financing Receipts:					
Gain on Sale of Investments	12,316				12,316
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	1,274,219		(311,673)	(150)	962,396
Fund Cash Balances, January 1	<u>1,205,959</u>	<u>2,250,186</u>	<u>4,684,430</u>	<u>1,150</u>	<u>8,141,725</u>
Fund Cash Balances, December 31	<u><u>\$2,480,178</u></u>	<u><u>\$2,250,186</u></u>	<u><u>\$4,372,757</u></u>	<u><u>\$1,000</u></u>	<u><u>\$9,104,121</u></u>
Reserves for Encumbrances, December 31	<u>\$519,612</u>		<u>\$24,283</u>		<u>\$543,895</u>

The Notes to the Financial Statements are an Integral part of this statement.

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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

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 Washington-Centerville Public Library, Montgomery County, (the Library) as a body corporate and politic. The Library is directed by a seven member Board of Trustees appointed by Centerville City School District. 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 and U.S. Treasury Securities at cost or fair value when donated. 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.

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Fund

This fund accounts for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project funds:

Building Fund – This fund is used for building repairs and improvements.

Permanent Improvement Fund – This fund is used for purchases of equipment.

4. Fiduciary Fund (Trust Fund)

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 fiduciary fund:

Washington-Centerville Public Library Endowment Fund (Expendable Trust) – This fund receives investment income and donations.

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 2004 and 2003 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.

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY 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	\$61,115	\$83,968
Certificates of deposit	950,000	250,000
Total deposits	1,011,115	333,968
Investments		
STAR Ohio	268,343	365,046
Repurchase Agreement Sweep Account	430,902	288,603
Federal Agency Instrumentalities	8,400,369	8,116,504
Total investments	9,099,614	8,770,153
Total deposits and investments	\$10,110,729	\$9,104,121

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

Investments: The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,717,746	\$6,717,746	\$0
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	\$6,717,746	\$6,717,746	\$0

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,736,937	\$6,182,959	\$553,978
Capital Projects	574,883	38,372	536,511
Fiduciary	0	0	0
Total	<u>\$7,311,820</u>	<u>\$6,221,331</u>	<u>\$1,090,489</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,677,622	\$6,677,622	\$0
Capital Projects	0	0	0
Fiduciary	0	0	0
Total	<u>\$6,677,622</u>	<u>\$6,677,622</u>	<u>\$0</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,835,407	\$5,923,015	\$1,912,392
Capital Projects	876,009	335,956	540,053
Fiduciary	650	150	500
Total	<u>\$8,712,066</u>	<u>\$6,259,121</u>	<u>\$2,452,945</u>

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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

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 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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.

6. 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.

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Washington-Centerville Public Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental and vision coverage to full time employees through a private carrier.

8. SUBSEQUENT EVENT

The Library entered into a contract on June 8, 2005 to purchase real estate for \$500,000.



**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***

Washington-Centerville Public Library
Montgomery County
111 West Spring Valley Road
Centerville, Ohio 45458

To the Board of Trustees:

We have audited the financial statements of Washington-Centerville Public Library, Montgomery County, (the Library), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 20, 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.

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*.

Washington-Centerville Public Library
Montgomery 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 the audit committee, management, and Board of Trustees. It 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

June 20, 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

**WASHINGTON – CENTERVILLE PUBLIC LIBRARY
MONTGOMERY 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
AUGUST 4, 2005**