



Mary Taylor, CPA
Auditor of State

WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 24, 2009

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Mary Taylor, CPA

Auditor of State

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, 2007 and 2008. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years 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 Washington-Centerville Public Library, Montgomery County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 24, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

July 24, 2009

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Taxes	\$3,415,602				\$3,415,602
Government-Grants-in-Aid	3,087,801				3,087,801
Patron Fines and Fees	251,381				251,381
Contributions, Gifts and Donations	922			\$4,044	4,966
Earnings on Investments	582,783				582,783
Refunds & Reimbursements	13,199				13,199
Miscellaneous	10,430				10,430
Total Cash Receipts	<u>7,362,118</u>			<u>4,044</u>	<u>7,366,162</u>
Cash Disbursements:					
Current:					
Salaries & Benefits	4,727,341				4,727,341
Purchased and Contractual Services	816,212		\$12,610	1,050	829,872
Library Materials and Information	1,051,627				1,051,627
Supplies	189,820			2,900	192,720
Other	8,038				8,038
Capital Outlay	115,149		49,807		164,956
Total Cash Disbursements	<u>6,908,187</u>		<u>62,417</u>	<u>3,950</u>	<u>6,974,554</u>
Total Receipts Over/(Under) Disbursements	<u>453,931</u>		<u>(62,417)</u>	<u>94</u>	<u>391,608</u>
Fund Cash Balances, January 1	<u>5,820,333</u>	<u>\$2,250,336</u>	<u>3,183,407</u>	<u>53</u>	<u>11,254,129</u>
Fund Cash Balances, December 31	<u>6,274,264</u>	<u>2,250,336</u>	<u>3,120,990</u>	<u>147</u>	<u>11,645,737</u>
Reserve for Encumbrances, December 31	<u>\$889,427</u>	<u>\$0</u>	<u>\$1,395</u>	<u>\$0</u>	<u>\$890,822</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Taxes	\$3,494,636				\$3,494,636
Government-Grants-in-Aid	2,997,898				2,997,898
Patron Fines and Fees	215,408				215,408
Contributions, Gifts and Donations	8,566			\$4,000	12,566
Earnings on Investments	510,586				510,586
Miscellaneous	7,349				7,349
Total Cash Receipts	<u>7,234,443</u>			<u>4,000</u>	<u>7,238,443</u>
Cash Disbursements:					
Current:					
Salaries & Benefits	4,682,607				4,682,607
Purchased and Contractual Services	695,784		\$82,390	1,075	779,249
Library Materials and Information	1,085,566				1,085,566
Supplies	189,971			2,912	192,883
Other	7,586				7,586
Capital Outlay	151,193		311,036		462,229
Total Cash Disbursements	<u>6,812,707</u>		<u>393,426</u>	<u>3,987</u>	<u>7,210,120</u>
Total Receipts Over/(Under) Disbursements	<u>421,736</u>		<u>(393,426)</u>	<u>13</u>	<u>28,323</u>
Fund Cash Balances, January 1	<u>5,398,597</u>	<u>\$2,250,336</u>	<u>3,576,833</u>	<u>40</u>	<u>11,225,806</u>
Fund Cash Balances, December 31	<u>5,820,333</u>	<u>2,250,336</u>	<u>3,183,407</u>	<u>53</u>	<u>11,254,129</u>
Reserve for Encumbrances, December 31	<u>\$566,756</u>	<u>\$0</u>	<u>\$19,402</u>	<u>\$3</u>	<u>\$586,161</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, 2008 AND 2007**

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 appoints a seven-member Board of Trustees to govern the Library. 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, U.S. Treasury Notes at cost. Money Market Mutual Funds (including Star Ohio) are recorded at share values the mutual funds report.

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.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Special Operating Fund – This fund is earmarked for specific expenditures that the General Fund may not be able to accommodate in the future.

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). 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 computer systems and equipment.

4. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary fund:

Dorothy R. Yeck Good Life Endowment Fund (Private Purpose Trust) – This fund received an annual donation for a writing competition for young adults.

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 2008 and 2007 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 vacation leave. The financial statements do not include a liability for unpaid leave.

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:

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 1,287,375	\$ 1,474,788
Certificates of deposit	1,850,000	2,797,023
Total deposits	<u>3,137,375</u>	<u>4,271,811</u>
U.S. Treasury Notes	8,195,409	6,677,984
STAR Ohio	312,953	304,334
Total investments	<u>8,508,362</u>	<u>6,982,318</u>
Total deposits and investments	<u>\$11,645,737</u>	<u>\$11,254,129</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$7,362,119	\$7,362,118	(\$1)
Fiduciary	4,044	4,044	
Total	<u>\$7,366,163</u>	<u>\$7,366,162</u>	<u>(\$1)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$8,740,642	\$7,797,614	\$ 943,028
Capital Projects	534,595	63,812	470,783
Fiduciary	4,200	3,950	250
Total	<u>\$9,279,437</u>	<u>\$7,865,376</u>	<u>\$1,414,061</u>

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$7,234,443	\$7,234,443	\$0
Fiduciary	4,000	4,000	
Total	<u>\$7,238,443</u>	<u>\$7,238,443</u>	<u>\$0</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$7,832,942	\$7,379,463	\$453,479
Capital Projects	800,102	412,828	387,274
Fiduciary	6,503	3,990	2,513
Total	<u>\$8,639,547</u>	<u>\$7,796,281</u>	<u>\$843,266</u>

**WASHINGTON-CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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.

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 10% in 2008 and 9.5 % in 2007 of their gross salaries. The Library contributed an amount equal to 14.0% in 2008 and 13.85% in 2007 of participants' gross salaries. The Library has paid all contributions required through December 31, 2008.

6. 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.
- Employee Dishonesty.

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



Mary Taylor, CPA

Auditor of State

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 accompanying financial statements of Washington-Centerville Public Library, Montgomery County, (the Library) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 24, 2009, wherein we noted the Library followed 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe that the significant deficiency described above as finding number 2008-001 is also a material weakness.

We noted certain matters that we reported to the Library's management in a separate letter dated July 24, 2009.

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*.

We did note certain noncompliance or other matters that we reported to the Library's management in a separate letter dated July 24, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 24, 2009

**WASHINGTON CENTERVILLE PUBLIC LIBRARY
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 and 2007**

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

FINDING NUMBER 2008-001

Material Weakness

Auditor of State Bulletin (AOS) 2005-005 states because activities of the reporting government's own programs may no longer be reported in a fiduciary fund, they must be reclassified as part of the governmental fund category. Thus, the following fiduciary fund types have been eliminated and the activities must now be accounted for in the following manner:

Expendable trust fund accounted for trusts where both principal and earnings on principal could have been spent for the trust's intended purpose. Under the new classification system, the expendable trust must be reclassified as either a special revenue fund or a private purpose trust fund.

During 2008 and 2007 the Library reported two expendable trust funds on its financial statements, however due to the reclassification of this fund type the Library should have reported the Library General Endowment Fund as a special revenue fund with an fund cash balance of \$150 during 2008 and 2007, and reported the Good Life Endowment Fund as a private purpose trust fund with revenues of \$4,044 and \$4,000, expenditures of \$3,950 and \$3,987, and a cash fund balance of \$147 and \$53 during 2008 and 2007 respectively which resulted the understatement of the special revenue fund type and private purpose fund type. The accompanying financial statements reflect the reclassification of the funds described above. The Library should implement procedures to verify that all AOS bulletins are implemented in a timely manner to provide correct classification of Library Funds.

Officials Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 10, 2009