



**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Middletown Public Library
Butler County
125 S. Broad Street
Middletown, OH 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, 2001 and 2000. 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, 2001 and 2000, 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 2, 2002 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, 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.

Jim Petro
Auditor of State

April 2, 2002

**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<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>	
Cash Receipts:				
Other Government Grants-In-Aid	\$5,382,642	\$0	\$0	\$5,382,642
Patron Fines and Fees	203,019	0	0	203,019
Earnings on Investments	304,657	0	2,587	307,244
Contributions, Gifts and Donations	1,746	0	27,769	29,515
Miscellaneous Receipts	24,356	0	0	24,356
Total Cash Receipts	5,916,420	0	30,356	5,946,776
Cash Disbursements:				
Current:				
Salaries and Benefits	2,891,978	0	7,232	2,899,210
Supplies	129,527	0	0	129,527
Purchased & Contracted Services	799,281	39,548	26,083	864,912
Library Materials & Information	1,062,506	0	0	1,062,506
Other Objects	15,467	0	0	15,467
Capital Outlay	310,947	57,384	20,473	388,804
Total Cash Disbursements	5,209,706	96,932	53,788	5,360,426
Total Cash Receipts Over/(Under) Cash Disbursements	706,714	(96,932)	(23,432)	586,350
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	7,360	0	0	7,360
Transfers-In	0	350,000	0	350,000
Transfers-Out	(350,000)	0	0	(350,000)
Total Other Financing Receipts/(Disbursements)	(342,640)	350,000	0	7,360
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	364,074	253,068	(23,432)	593,710
Fund Cash Balances, January 1	3,621,470	1,579,570	123,199	5,324,239
Fund Cash Balances, December 31	\$3,985,544	\$1,832,638	\$99,767	\$5,917,949
Reserves for Encumbrances, December 31	\$297,151	\$10,928	\$30,658	\$338,737

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 EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$5,232,509	\$0	\$0	\$5,232,509
Patron Fines and Fees	178,697	0	0	178,697
Earnings on Investments	270,475	0	7,638	278,113
Contributions, Gifts and Donations	1,106	0	46,651	47,757
Miscellaneous Receipts	1,663	0	0	1,663
Total Cash Receipts	<u>5,684,450</u>	<u>0</u>	<u>54,289</u>	<u>5,738,739</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	2,423,544	0	3,542	2,427,086
Supplies	111,602	24,674	0	136,276
Purchased & Contracted Services	739,013	53,210	0	792,223
Library Materials & Information	946,210	0	0	946,210
Other Objects	13,540	0	15,340	28,880
Capital Outlay	237,961	40,167	0	278,128
Total Cash Disbursements	<u>4,471,870</u>	<u>118,051</u>	<u>18,882</u>	<u>4,608,803</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,212,580</u>	<u>(118,051)</u>	<u>35,407</u>	<u>1,129,936</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	8,033	0	0	8,033
Transfers-In	0	350,000	0	350,000
Transfers-Out	(350,000)	0	0	(350,000)
Total Other Financing Receipts/(Disbursements)	<u>(341,967)</u>	<u>350,000</u>	<u>0</u>	<u>8,033</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	870,613	231,949	35,407	1,137,969
Fund Cash Balances, January 1	<u>2,750,857</u>	<u>1,347,621</u>	<u>87,792</u>	<u>4,186,270</u>
Fund Cash Balances, December 31	<u>\$3,621,470</u>	<u>\$1,579,570</u>	<u>\$123,199</u>	<u>\$5,324,239</u>
Reserves for Encumbrances, December 31	<u>\$384,890</u>	<u>\$40,510</u>	<u>\$51,675</u>	<u>\$477,075</u>

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

**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 included in fund cash balances. 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 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 Projects 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 projects fund:

Building & Repair Fund – This fund is used to record receipts and expenditures associated with the Library building repairs.

**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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. 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 funds:

Educational Assistance Fund – This fund is used to record receipts and expenditures associated with the purchase of materials designated by donations.

Memorial Fund – This fund is used to record receipts and expenditures associated with trust donations.

E. Budgetary Process

The Ohio Administrative Code requires budgeting for each fund annually.

1. Appropriations

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.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 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.

**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 investment 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:

	2001	2000
Demand deposits	\$307,949	\$349,239
Certificates of deposit	5,610,000	4,975,000
Total deposits and Investments	\$5,917,949	\$5,324,239

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 ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,771,876	\$5,923,780	\$11,848,096
Capital Projects	1,050,000	350,000	700,000
Expendable Trust	62,762	30,356	32,406
Total	\$18,884,638	\$6,304,136	\$12,580,502

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,357,930	\$5,856,857	\$1,501,073
Capital Projects	340,510	107,860	232,650
Expendable Trust	90,041	84,446	5,595
Total	\$7,788,481	\$6,049,163	\$1,739,318

**MIDDLETOWN PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,687,930	\$5,692,483	\$4,553
Capital Projects	350,000	350,000	0
Expendable Trust	54,286	54,289	3
Total	\$6,092,216	\$6,096,772	\$4,556

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,486,766	\$5,206,760	\$1,280,006
Capital Projects	363,219	158,561	204,658
Expendable Trust	82,600	70,557	12,043
Total	\$6,932,585	\$5,435,878	\$1,496,707

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 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, 2001 AND 2000
(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. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Library has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Middletown Public Library has obtained commercial insurance for the following risks:

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

The Library also provided medical coverage to their employees through Medical Mutual.

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

Middletown Public Library
Butler County
125 S. Broad Street
Middletown, OH 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, 2001 and 2000, and have issued our report thereon dated April 2, 2002. 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.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
MAY 9, 2002**