



**Auditor of State  
Betty Montgomery**



CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Chillicothe and Ross County Public Library  
Ross County  
140 South Paint Street  
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of the Chillicothe and Ross County Public Library, Ross 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.

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 described 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 accounting principals generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Chillicothe and Ross County Public Library, Ross County, Ohio, 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 September 7, 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 information and use of the management, the 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

September 7, 2004

**CHILlicothe AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Government Grants-In-Aid	\$2,648,077	\$1,198	\$0	\$0	\$2,649,275
Patron Fines and Fees	54,233	0	0	0	54,233
Earnings on Investments	30,494	0	0	0	30,494
Contributions, Gifts and Donations	4,774	0	0	4,844	9,618
Miscellaneous Receipts	24,655	0	0	0	24,655
<b>Total Cash Receipts</b>	<u>2,762,233</u>	<u>1,198</u>	<u>0</u>	<u>4,844</u>	<u>2,768,275</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,860,495	0	0	0	1,860,495
Purchased and Contracted Services	373,899	1,198	0	3,248	378,345
Other Objects	8,794	0	0	0	8,794
Library Materials and Information	349,323	0	0	3,453	352,776
Supplies	79,516	0	0	0	79,516
Capital Outlay	90,278	0	0	0	90,278
<b>Total Cash Disbursements</b>	<u>2,762,305</u>	<u>1,198</u>	<u>0</u>	<u>6,701</u>	<u>2,770,204</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(72)</u>	<u>0</u>	<u>0</u>	<u>(1,857)</u>	<u>(1,929)</u>
<b>Other Financing Receipts:</b>					
Sale of Fixed Assets	213				213
<b>Total Other Financing Receipts</b>	<u>213</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>213</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	141	0	0	(1,857)	(1,716)
<b>Fund Cash Balances, January 1</b>	<u>413,235</u>	<u>0</u>	<u>1,305,596</u>	<u>2,334</u>	<u>1,721,165</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$413,376</u></u>	<u><u>\$0</u></u>	<u><u>\$1,305,596</u></u>	<u><u>\$477</u></u>	<u><u>\$1,719,449</u></u>
<b>Reserves for Encumbrances, December 31</b>	<u><u>\$46,015</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$46,015</u></u>

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

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$1,642
Total Operating Cash Receipts	1,642
<b>Operating Cash Disbursements:</b>	
Library Materials and Information	1,295
Total Operating Cash Disbursements	1,295
Operating Income	347
Fund Cash Balance, January 1	21,658
<b>Fund Cash Balance, December 31</b>	<b>\$22,005</b>
Reserves for Encumbrance, December 31	\$1,145

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



**CHILLICOTHE AND ROSS COUNTY LIBRARY  
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
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	\$2,677,666	\$0	\$0	\$2,677,666
Patron Fines and Fees	48,407	0	0	48,407
Earnings on Investments	29,996	0	0	29,996
Contributions, Gifts and Donations	4,481	0	6,412	10,893
Miscellaneous Receipts	2,439	0	0	2,439
<b>Total Cash Receipts</b>	<b>2,762,989</b>	<b>0</b>	<b>6,412</b>	<b>2,769,401</b>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	1,757,530	0	0	1,757,530
Purchased and Contracted Services	367,002	0	2,980	369,982
Other Objects	9,900	0	0	9,900
Library Materials and Information	368,858	0	2,486	371,344
Supplies	78,495	0	0	78,495
Capital Outlay	54,193	0	0	54,193
<b>Total Cash Disbursements</b>	<b>2,635,978</b>	<b>0</b>	<b>5,466</b>	<b>2,641,444</b>
Total Cash Receipts Over Cash Disbursements	127,011	0	946	127,957
Fund Cash Balances, January 1	286,224	1,305,596	1,388	1,593,208
<b>Fund Cash Balances, December 31</b>	<b>\$413,235</b>	<b>\$1,305,596</b>	<b>\$2,334</b>	<b>\$1,721,165</b>
Reserves for Encumbrances, December 31	\$91,590	\$0	\$248	\$91,838

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

CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
NON EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Types</u>
	<u>Nonexpendable Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	<u>\$1,434</u>
Total Operating Cash Receipts	<u>1,434</u>
<b>Operating Cash Disbursements:</b>	
Library Materials and Information	<u>2,303</u>
Total Operating Cash Disbursements	<u>2,303</u>
Operating (Loss)	(869)
Fund Cash Balance, January 1	<u>22,527</u>
<b>Fund Cash Balance, December 31</b>	<b><u><u>\$21,658</u></u></b>

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

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Chillicothe and Ross County Public Library, Ross 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 in which three Trustees are appointed by the Ross County Commissioners and four Trustees are appointed by the judges of the Court of Common Pleas. 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 and repurchase agreements are valued at cost. The common stock is valued at its fair market value (FMV) at the time of donation. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**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. Special Revenue Fund**

This fund is used to account for proceeds from a specific source (other than from trusts or for capital projects) that is restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

FEMA Fund- The Library received FEMA funds due to the flooding damages of the Main branch.

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

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

**D. Fund Accounting (Continued)**

**3. 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).

**4. 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.

**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:

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

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

	2003	2002
Demand deposits	(\$33,795)	(\$3,895)
Certificates of deposit	410,000	610,000
Money Market	200,000	0
Total deposits	576,205	606,105
STAR Ohio	974,223	963,508
Repurchase agreement	180,526	162,710
Common stock (at fair market value was \$35,000 and \$27,744 at December 31, 2003 and 2002, respectively.)	10,500	10,500
Total investments	1,165,249	1,136,718
Total deposits and investments	\$1,741,454	\$1,742,823

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The money markets are collateralized by the financial institution's public entity deposit pool. Donated shares of stock are held in physical form by the Library. The Library's financial institution transfers 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 December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,755,499	\$2,762,446	\$6,947
Special Revenue	1,198	1,198	0
Expendable Trust Fund	4,844	4,844	0
Non Expendable Trust Fund	1,300	1,642	342
Total	\$2,762,841	\$2,770,130	\$7,289

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,168,739	\$2,808,320	\$360,419
Special Revenue	1,198	1,198	0
Capital Projects	1,305,597	0	1,305,597
Expendable Trust	7,178	6,701	477
Non Expendable Trust	2,458	2,440	18
Total	\$4,485,170	\$2,818,659	\$1,666,511

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,754,366	\$2,762,989	\$8,623
Expendable Trust	6,412	6,412	0
Non Expendable Trust	1,150	1,434	284
Total	\$2,761,928	\$2,770,835	\$8,907

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,040,589	\$2,727,568	\$313,021
Capital Projects	1,305,597	0	1,305,597
Expendable Trust	7,800	5,714	2,086
Non Expendable Trust	3,177	2,303	874
Total	\$4,357,163	\$2,735,585	\$1,621,578

**4. GRANTS-IN-AID**

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.

**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY  
ROSS COUNTY**

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

**5. RETIREMENT SYSTEM**

The Library's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS 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**

**Commercial Insurance**

The Chillicothe and Ross County 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, dental and vision coverage to full-time employees through a private carrier.

**7. RELATED PARTY ORGANIZATION**

The Library is statutorily created as a separate and distinct political subdivision of the State. Three Trustees of the Library are appointed by the Ross County Commissioners and four Trustees are appointed by the judges of the Court of Common Pleas. The Library Board of Trustees possesses its own contracting and budgeting authority handles its own personnel actions and does not depend on the County for operational subsidies.

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## Auditor of State Betty Montgomery

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

Chillicothe and Ross County Public Library  
Ross County  
140 South Paint Street  
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the financial statements of the Chillicothe and Ross County Public Library, Ross 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 September 7, 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 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 September 7, 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 a matter involving internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Library in a separate letter dated September 7, 2004.

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

September 7, 2004



**Auditor of State  
Betty Montgomery**

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**CHILLICOTHE AND ROSS COUNTY PUBLIC LIBRARY**

**ROSS 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  
OCTOBER 12, 2004**