



**Auditor of State  
Betty Montgomery**



MADISON PUBLIC LIBRARY  
LAKE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Madison Public Library  
Lake County  
6111 Middle Ridge Road  
Madison, Ohio 44057

To the Board of Trustees:

We have audited the accompanying financial statements of the Madison Public Library, Lake County, Ohio, (the Library) as of and for the year ended December 31, 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 *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 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 generally accepted accounting principles.

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined fund cash balances of the Madison Public Library, Lake County, Ohio, as of December 31, 2003, and its combined cash receipts and disbursements for the year 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 28, 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, 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.

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 28, 2004

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE  
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 Governments Grants-in-Aid	\$788,965			\$788,965
Patron Fines and Fees	31,691			31,691
Earnings on Investments	24,863		\$1,220	26,083
Contributions, Gifts and Donations	5,121			5,121
Miscellaneous Receipts	417			417
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	851,057	\$0	1,220	852,277
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	577,922			577,922
Purchased and Contracted Services	121,772			121,772
Library Materials and Information	177,345			177,345
Supplies	19,279			19,279
Other	13,251	1,109		14,360
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	909,569	1,109	0	910,678
Excess of Cash Receipts Over/(Under) Cash Disbursements	(58,512)	(1,109)	1,220	(58,401)
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	30,825			30,825
Transfers-Out			(30,825)	(30,825)
Other Financing Uses	(810,496)	(90)	(175,897)	(986,483)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(779,671)	(90)	(206,722)	(986,483)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(838,183)	(1,199)	(205,502)	(1,044,884)
Fund Cash Balances, January 1, 2003	946,236	268,111	205,502	1,419,849
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u>\$108,053</u></b>	<b><u>\$266,912</u></b>	<b><u>\$0</u></b>	<b><u>\$374,965</u></b>

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

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**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Madison Public Library, Lake 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 appointed by the Madison Board of Education. 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.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no material component units.

**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.

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.

The library invested in STAROhio (the State Treasurer's Investment Pool), which are valued at amounts reported by the State Treasurer.

During 2003, common stock and cash previously donated to the Library was turned over to the Madison Public Library Foundation. The fair value of the stock and dollar value of the cash turned over to the Madison Public Library Foundation was \$956,377.

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

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

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

**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:

Equipment Fund – This fund is used to pay for computers and related equipment.

**3. Fiduciary 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. Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant fiduciary fund:

Memorial Trust fund – This expendable trust fund received money as a donation to the library.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund level of control.

Since the donated stock was not valued at a cash amount, the Board did not appropriate for the movement of the stock to the Madison Public Library Foundation. The historical value of stock in the General Fund was \$392,491.

A summary of 2003 budgetary activities 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.

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

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

**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
Demand deposits	\$5,196
Petty Cash	200
Total deposits	5,396
STAR Ohio	369,569
Total investments	369,569
Total deposits and investments	\$374,965

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2003 follows:

2003 Budgeted vs. Actual Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$1,410,300	\$1,327,574	\$82,726
Capital Projects	267,400	1,199	266,201
Fiduciary	210,602	206,722	3,880
Total	\$1,888,302	\$1,535,495	\$352,807

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

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

**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. The revenue is reflected as Other Governments Grants-in-Aid in the accompanying financial statements.

The Lake County Auditor is responsible for distributing all Local Government Support Fund revenue on behalf of the library.

**5. RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Madison 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, vision, and dental insurance to full-time employees who work 40 hours per week through a private carrier. The Library's liability for health care is limited to the premiums paid.

**7. SUBSEQUENT EVENTS**

In June 23, 2004, the Madison Public Library Foundation returned \$1,006,575 in cash to the Library. This amount was originally donated to the Library.



## **Auditor of State Betty Montgomery**

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

Madison Public Library  
Lake County  
6111 Middle Ridge Road  
Madison, Ohio 44057

To the Board of Trustees:

We have audited the financial statements of Madison Public Library, Lake County, Ohio, (the Library) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with auditing standards generally accepted by 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 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

#### **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 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.

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Madison Public Library  
Lake County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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.

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 28, 2004

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003**

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

<b>Finding Number</b>	<b>2003-001</b>
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**Finding for Recovery Repaid Under Audit**

The Library had received cash and stock donations from 1998 through 2001. During the audit period, the stock and the cash donation was expended from the Library ledgers and receipted into the Madison Public Library Foundation. After a review of its original opinion, the Lake County Prosecutor's Office agreed with the Auditor of State's Office that the expenditure was not permitted by the Ohio Revised Code Section 135.14(B)(1)-(7) and Ohio Constitution Article VIII, section 4.

In accordance with the forgoing facts, and pursuant to the Ohio Revised Code Section 117.28, a Finding for Recovery for public monies inappropriately expended is hereby issued against Madison Public Library Foundation, in the amount of \$1,006,575 and in favor of the Madison Public Library.

On June 23, 2004, the Madison Public Library Foundation repaid \$1,006,575 to the Madison Public Library. When receipting the funds, the Library did divest itself of the stock as required by Ohio Revised Code Section 135.14(B)(1)-(7) and Ohio Constitution Article VIII, section 4.

**MADISON PUBLIC LIBRARY  
LAKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	ORC Section 135.14 Investment in Common Stock	No	Not corrected – The Library moved the stock to a Foundation which is reported in current report as finding 2003-001



**Auditor of State  
Betty Montgomery**

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**MADISON PUBLIC LIBRARY**

**LAKE 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 14, 2004**