



**Auditor of State
Betty Montgomery**

TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Accountants' Report..... | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002..... | 4 |
| Notes to the Financial Statements | 5 |
| Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 9 |
| Schedule of Prior Audit Findings | 11 |

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Tipp City Public Library
Miami County
11 East Main Street
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the accompanying financial statements of the Tipp City Public Library, Miami County, (the Library) as of and for the years ended December 31, 2003 and 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. 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 of the Library as of December 31, 2003 and 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 May 5, 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 finance committee, management, 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

May 5, 2004

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Other Government Grants-In-Aid | \$573,425 | | | \$573,425 |
| Other Local Grants | | \$11,103 | | 11,103 |
| Patron Fines and Fees | 20,041 | | | 20,041 |
| Earnings on Investments | 4,478 | | | 4,478 |
| Contributions, Gifts and Donations | 5,034 | 3,938 | | 8,972 |
| Miscellaneous Receipts | 5,725 | | | 5,725 |
| Total Cash Receipts | <u>608,703</u> | <u>15,041</u> | | <u>623,744</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 423,889 | | | 423,889 |
| Purchased and Contracted Services | 44,039 | 125 | | 44,164 |
| Library Materials and Information | 59,334 | 11,243 | | 70,577 |
| Supplies | 10,806 | | | 10,806 |
| Other | 3,152 | | | 3,152 |
| Capital Outlay | 5,263 | 11,630 | \$8,160 | 25,053 |
| Total Cash Disbursements | <u>546,483</u> | <u>22,998</u> | <u>8,160</u> | <u>577,641</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>62,220</u> | <u>(7,957)</u> | <u>(8,160)</u> | <u>46,103</u> |
| Fund Cash Balances, January 1 | <u>303,408</u> | <u>11,118</u> | <u>58,778</u> | <u>373,304</u> |
| Fund Cash Balances, December 31 | <u>\$365,628</u> | <u>\$3,161</u> | <u>\$50,618</u> | <u>\$419,407</u> |

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

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Other Government Grants-In-Aid | \$579,588 | | | \$579,588 |
| Other Local Grants | | \$11,732 | | 11,732 |
| Patron Fines and Fees | 19,511 | | | 19,511 |
| Earnings on Investments | 8,704 | | | 8,704 |
| Contributions, Gifts and Donations | 3,220 | 10,258 | | 13,478 |
| Miscellaneous Receipts | 1,618 | | | 1,618 |
| Total Cash Receipts | <u>612,641</u> | <u>21,990</u> | | <u>634,631</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 436,568 | | | 436,568 |
| Purchased and Contracted Services | 68,888 | | \$351 | 69,239 |
| Library Materials and Information | 52,299 | 10,372 | | 62,671 |
| Supplies | 15,679 | | | 15,679 |
| Other | 2,198 | | | 2,198 |
| Capital Outlay | 11,368 | 500 | 115,356 | 127,224 |
| Total Cash Disbursements | <u>587,000</u> | <u>10,872</u> | <u>115,707</u> | <u>713,579</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>25,641</u> | <u>11,118</u> | <u>(115,707)</u> | <u>(78,948)</u> |
| Fund Cash Balances, January 1 | <u>277,767</u> | | <u>174,485</u> | <u>452,252</u> |
| Fund Cash Balances, December 31 | <u>\$303,408</u> | <u>\$11,118</u> | <u>\$58,778</u> | <u>\$373,304</u> |

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

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Tipp City Public Library, Miami 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 Tipp City Exempted Village School District 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.

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

All funds are maintained in checking, savings, or money market accounts.

D. Fund Accounting

The Library uses fund accounting to segregate cash that is 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 Funds

These funds are used to 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:

Tipp City Foundation – This fund receives grants to purchase books, computers, and other materials to enhance the library's resources.

Friends of the Tipp City Library – This fund receives contributions to purchase books, computers, tables, and other materials to enhance the library's resources.

3. Capital Projects Fund

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 Fund – This fund is utilized for the acquisition, remodeling, and addition to buildings.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Budgetary expenditures, that is disbursements, may not exceed appropriations at the fund, function, and object level of control for the General Fund, the fund, function level of control for the Capital Projects fund, and the fund level of control for the Special Revenue fund.

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 pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 follows:

| | 2003 | 2002 |
|-------------------------|------------------|------------------|
| Demand deposits | \$419,257 | \$373,154 |
| Cash on Hand | 150 | 150 |
| Total deposits and cash | <u>\$419,407</u> | <u>\$373,304</u> |

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 ending December 31, 2003 and 2002 follows:

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$595,035 | \$546,483 | \$48,552 |
| Special Revenue | 25,000 | 22,998 | 2,002 |
| Capital Projects | 10,000 | 8,160 | 1,840 |
| Total | <u>\$630,035</u> | <u>\$577,641</u> | <u>\$52,394</u> |

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$626,176 | \$587,000 | \$39,176 |
| Special Revenue | 25,000 | 10,872 | 14,128 |
| Capital Projects | 174,485 | 115,707 | 58,778 |
| Total | \$825,661 | \$713,579 | \$112,082 |

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.

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. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. As of December 31, 2003, the Library had a \$2,843 obligation to PERS.

6. RISK MANAGEMENT

Commercial Insurance

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

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

7. INSURANCE POOL

The Library participates in the Ohio Library Council Association Workers' Compensation Group Rating Plan (GRP), and insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Library by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating libraries is calculated as one experience and a common premium rate is applied to all libraries in the GRP.

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

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

7. INSURANCE POOL (Continued)

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This equity pooling arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation on the GRP is limited to libraries that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.



**Auditor of State
Betty Montgomery**

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

Tipp City Public Library
Miami County
11 East Main Street
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the accompanying financial statements of the Tipp City Public Library, Miami County, (the Library), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 5, 2004. 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 May 5, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 5, 2004.

Tipp City Public Library
Miami County
Report of Independent Accountants' 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 finance committee, management and 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

May 5, 2004

**TIPP CITY PUBLIC LIBRARY
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2003 AND 2002**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|----------------|--|------------------|--|
| 2001-001 | Noncompliance with ORC Section 135.18 and 135.181 Inadequate Collateral | Yes | N/A |
| 2001-002 | Payroll Disbursement Discrepancies and Need for Increased Controls | Yes | N/A |



**Auditor of State
Betty Montgomery**

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TIPP CITY PUBLIC LIBRARY

MIAMI 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
JULY 13, 2004**