



**Auditor of State
Betty Montgomery**

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the accompanying financial statements of the public funds of the Reuben McMillan Free Library Association (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. 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.

As discussed in Note 1, the Library receives both public and private funds. These statements present only the activity of the public funds, and are not intended to present all activity of the Library in accordance with the basis of accounting referred to above.

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, 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 June 11, 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.

Reuben McMillan Free Library Association
Mahoning County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit 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

June 11, 2004

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING 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>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$1,085,211		\$1,085,211
Library and Local Government Support	9,848,462		9,848,462
Intergovernmental	150,559		150,559
Patron Fines and Fees	274,802		274,802
Earnings on Investments	94,711		94,711
Services Provided to Other Entities	13,381		13,381
Contributions, Gifts and Donations		\$40,714	40,714
Miscellaneous Receipts	<u>256,018</u>		<u>256,018</u>
 Total Cash Receipts	 <u>11,723,144</u>	 <u>40,714</u>	 <u>11,763,858</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	7,301,044		7,301,044
Purchased and Contracted Services	1,555,023		1,555,023
Library Materials and Information	1,296,269		1,296,269
Supplies	154,842		154,842
Other	50,466		50,466
Capital Outlay	<u>54,911</u>	<u>473,485</u>	<u>528,396</u>
 Total Cash Disbursements	 <u>10,412,555</u>	 <u>473,485</u>	 <u>10,886,040</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,310,589</u>	<u>(432,771)</u>	<u>877,818</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		1,460,000	1,460,000
Transfers-Out	<u>(1,460,000)</u>		<u>(1,460,000)</u>
 Total Other Financing Receipts/(Disbursements)	 <u>(1,460,000)</u>	 <u>1,460,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(149,411)	1,027,229	877,818
Fund Cash Balances, January 1	<u>1,782,446</u>	<u>5,366,506</u>	<u>7,148,952</u>
Fund Cash Balances, December 31	<u>\$1,633,035</u>	<u>\$6,393,735</u>	<u>\$8,026,770</u>
Reserves for Encumbrances, December 31	<u>\$629,986</u>	<u>\$68,603</u>	<u>\$698,589</u>

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Earnings on Investments	\$4,907
Miscellaneous	1,367,923
Total Operating Cash Receipts	1,372,830
Operating Cash Disbursements:	
Purchased and Contracted Services	38,102
Other	1,159,471
Total Operating Cash Disbursements	1,197,573
Operating Income/(Loss)	175,257
 Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	 175,257
 Net Receipts Over/(Under) Disbursements	 175,257
Fund Cash Balance, January 1	200,822
Fund Cash Balance, December 31	\$376,079
Reserves for Encumbrances, December 31	\$0

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$1,026,599		\$1,026,599
Library and Local Government Support	9,959,298		9,959,298
Intergovernmental	208,438		208,438
Patron Fines and Fees	225,249		225,249
Earnings on Investments	115,571	\$106,543	222,114
Services Provided to Other Entities	88		88
Contributions, Gifts and Donations		324,481	324,481
Miscellaneous Receipts	110,357		110,357
	<u>11,645,600</u>	<u>431,024</u>	<u>12,076,624</u>
Total Cash Receipts			
	<u>11,645,600</u>	<u>431,024</u>	<u>12,076,624</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	6,918,725		6,918,725
Purchased and Contracted Services	1,512,776		1,512,776
Library Materials and Information	1,492,856		1,492,856
Supplies	197,191		197,191
Other	43,584		43,584
Capital Outlay	71,053	4,042,118	4,113,171
	<u>10,236,185</u>	<u>4,042,118</u>	<u>14,278,303</u>
Total Cash Disbursements			
	<u>10,236,185</u>	<u>4,042,118</u>	<u>14,278,303</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,409,415</u>	<u>(3,611,094)</u>	<u>(2,201,679)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	5	934,000	934,005
Transfers -Out	(934,005)		(934,005)
	<u>(934,000)</u>	<u>934,000</u>	<u>(934,000)</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(934,000)</u>	<u>934,000</u>	<u>(934,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>475,415</u>	<u>(2,677,094)</u>	<u>(2,201,679)</u>
Fund Cash Balances, January 1	<u>1,307,031</u>	<u>8,043,600</u>	<u>9,350,631</u>
Fund Cash Balances, December 31	<u>\$1,782,446</u>	<u>\$5,366,506</u>	<u>\$7,148,952</u>
Reserves for Encumbrances, December 31	<u>\$776,555</u>	<u>\$319,721</u>	<u>\$1,096,276</u>

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Earnings on Investments	\$2,715
Miscellaneous	1,142,057
	1,144,772
Total Operating Cash Receipts	1,144,772
Operating Cash Disbursements:	
Purchased and Contracted Services	30,612
Other	1,134,182
	1,164,794
Total Operating Cash Disbursements	1,164,794
Operating Income/(Loss)	(20,022)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(20,022)
Net Receipts Over/(Under) Disbursements	(20,022)
Fund Cash Balance, January 1	220,844
Fund Cash Balance, December 31	\$200,822
Reserves for Encumbrances, December 31	\$0

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

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Reuben McMillan Free Library Association, Mahoning 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 seventeen-member Board of Trustees. The Library provides the community with various educational and literary resources.

Reuben McMillan Free Library Association is a not-for-profit private corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library services to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association", and officially changed in 1898 to "The Reuben McMillan Free Library Association".

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

Corporate Account

The Reuben McMillan Free Library Association maintains a corporate account which contains private monies donated to the Association which are not public funds and which are not included on these financial statements. The corporate account is subject to a separate audit and the audit report may be obtained from the Secretary-Treasurer of the Association.

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 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 investments in Overnight Repurchase Agreements and the Savings Account are valued at cost.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

Building and Repair Fund – This fund received monies from investment earnings, contributions, and transfers from the General Fund. Proceeds were used for buildings and building improvements.

Technology Development Fund – This fund received monies from contributions, and transfers from the General Fund. Proceeds were used to purchase technological equipment.

3. Proprietary Fund (Internal Service Fund)

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Library had the following significant internal service fund:

Self-Insurance Fund - This fund accounts for employee medical benefits.

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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2003	2002
Demand deposits	(\$177,592)	(\$330,433)
Change funds	1,980	1,980
Savings Account	7,065,102	6,844,525
Total deposits	6,889,490	6,516,072
 Repurchase agreements	 1,513,359	 833,702
 Total deposits and investments	 \$8,402,849	 \$7,349,774

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Library.

Investments: Repurchase agreements include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,561,891	\$12,502,541	\$59,350
Capital Projects	620,462	542,088	78,374
Internal Service	1,198,125	1,197,573	552
Total	\$14,380,478	\$14,242,202	\$138,276

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,118,755	\$11,946,745	\$172,010
Capital Projects	4,606,676	4,361,839	244,837
Internal Service	1,165,000	1,164,794	206
Total	\$17,890,431	\$17,473,378	\$417,053

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 of 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.

**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

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

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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 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. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Reuben McMillan Free Library Association has obtained commercial insurance for the following risks:

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

Self Insurance

The Reuben McMillan Free Library Association is also self insured for medical, prescription, dental, and vision insurance. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. The Library also uses stop-loss agreements to reduce its risk to the possibility of large losses on medical claims. A comparison of Self Insurance Fund reported reserved funds available to the actuarially-measured liability (Incurred But Not Reported Claims – IBNR) as of December 31 follows:

	<u>2003</u>	<u>2002</u>
Reserved Funds	\$375,052	\$200,822
IBNR	\$131,642	\$147,465

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Auditor of State Betty Montgomery

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

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the accompanying financial statements of the public funds of the Reuben McMillan Free Library Association (the Library) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 11, 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*.

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.

Reuben McMillan Free Library Association
Mahoning 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 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

June 11, 2004



**Auditor of State
Betty Montgomery**

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REUBEN MCMILLAN FREE LIBRARY ASSOCIATION

MAHONING 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 1, 2004**