



**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

Birchard Public Library
Sandusky County
423 Croghan Street
Fremont, Ohio 43420-2499

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

March 21, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Birchard Public Library
Sandusky County
423 Croghan Street
Fremont, Ohio 43420-2499

To the Board of Trustees:

We have audited the accompanying financial statements of Birchard Public Library, Sandusky County, (the Library) as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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 Birchard Public Library, Sandusky County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

March 21, 2006

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property and Other Local Taxes	\$1,381			\$1,381
Other Government Grants-In-Aid	1,752,428			1,752,428
Patron Fines and Fees	34,272			34,272
Earnings on Investments	30,088	\$52,036	\$41,178	123,302
Contributions, Gifts and Donations	14,493		5,234	19,727
Miscellaneous Receipts	11,689			11,689
	<u>1,844,351</u>	<u>52,036</u>	<u>46,412</u>	<u>1,942,799</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries and Benefits	1,197,649			1,197,649
Purchased and Contracted Services	171,661	12,241	6,130	190,032
Other Objects	318,121			318,121
Capital Outlay	9,449	4,563	191	14,203
	<u>1,696,880</u>	<u>16,804</u>	<u>6,321</u>	<u>1,720,005</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	147,471	35,232	40,091	222,794
Fund Cash Balances, January 1	<u>907,240</u>	<u>1,725,095</u>	<u>1,352,711</u>	<u>3,985,046</u>
Fund Cash Balances, December 31	<u>\$1,054,711</u>	<u>\$1,760,327</u>	<u>\$1,392,802</u>	<u>\$4,207,840</u>
Reserves for Encumbrances, December 31	<u>\$67,253</u>	<u>\$3,898</u>	<u>\$7,966</u>	<u>\$79,117</u>

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

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$1,741,174			1,741,174
Patron Fines and Fees	28,021			28,021
Earnings on Investments	11,940	\$22,156	\$22,449	56,545
Contributions, Gifts and Donations	9,399		7,215	16,614
Miscellaneous Receipts	14,791			14,791
Total Cash Receipts	<u>1,805,325</u>	<u>22,156</u>	<u>29,664</u>	<u>1,857,145</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,119,576			1,119,576
Purchased and Contracted Services	191,916	42,051	8,503	242,470
Other Objects	318,631			318,631
Capital Outlay	15,569	18,860	2,658	37,087
Total Cash Disbursements	<u>1,645,692</u>	<u>60,911</u>	<u>11,161</u>	<u>1,717,764</u>
Total Cash Receipts Over/(Under) Cash Disbursements	159,633	(38,755)	18,503	139,381
Fund Cash Balances, January 1	<u>747,607</u>	<u>1,763,850</u>	<u>1,334,208</u>	<u>3,845,665</u>
Fund Cash Balances, December 31	<u>\$907,240</u>	<u>\$1,725,095</u>	<u>\$1,352,711</u>	<u>\$3,985,046</u>
Reserves for Encumbrances, December 31	<u>\$65,260</u>		<u>\$5,419</u>	<u>\$70,679</u>

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

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Birchard Public Library, Sandusky County, (the Library) as a body corporate and politic. The Board of County Commissioners and the Court of Common Pleas appoint a seven-member Board of Trustees to govern the Library. 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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

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 accounts for all financial resources except those required to be accounted for in another fund.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

The *Building and Repair Fund* is used for the building and repair of buildings and grounds owned by the library.

3. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary funds:

The *Birchard Library Trust Fund* receives interest earned on the fund balance which had been received from an estate. These funds are used to provide funding for books, publications, and materials for the Library.

The *Systemwide Gifts and Memorials Fund* receives donations for various projects at the Library.

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 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand deposits	\$104,866	\$101,280
Certificates of deposit	1,586,127	712,502
Total deposits	1,690,993	813,782
STAR Ohio	2,516,847	3,171,264
Total deposits and investments	\$4,207,840	\$3,985,046

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,873,499	\$1,844,351	(\$29,148)
Capital Projects	17,450	52,036	34,586
Fiduciary	28,310	46,412	18,102
Total	\$1,919,259	\$1,942,799	\$23,540

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,927,821	\$1,764,133	\$163,688
Capital Projects	1,165,000	20,702	1,144,298
Fiduciary	998,969	14,287	984,682
Total	\$4,091,790	\$1,799,122	\$2,292,668

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,799,697	\$1,805,325	\$5,628
Capital Projects	19,500	22,156	2,656
Fiduciary	24,903	29,664	4,761
Total	\$1,844,100	\$1,857,145	\$13,045

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,880,458	\$1,710,952	\$169,506
Capital Projects	1,434,458	60,911	1,373,547
Fiduciary	984,555	16,580	967,975
Total	\$4,299,471	\$1,788,443	\$2,511,028

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 State allocates LLGSF 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 the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The Birchard 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 and life insurance coverage to full-time employees through a private carrier.

7. RELATED PARTY TRANSACTIONS

A. Village of Woodville

The Library leased a building from the Village of Woodville for its Woodville Branch. The Village of Woodville agreed to pay for all the water and sewer rents, other utilities including electric, air conditioning, and building maintenance, interior and exterior, service of the premises. The Library agreed to pay for gas and phone services. In addition, the Village of Woodville agreed to insure the building against fire or other casualty during the terms of the lease. The Library agreed to insure any leasehold improvements it makes during the term of the lease for its own benefit. If the premises should be made un-tenantable by fire or other casualty, the lease would terminate. If the premises can be restored to at tenantable condition, at the joint election of the Village of Woodville and the Library, the premises shall be restored provided combined insurance proceeds are sufficient to pay for such repairs. The Library pays rent of one dollar annually. The lease with the Village of Woodville expires March 3, 2013. The Library is independent of the Village and does not vote on Village matters.

B. Village of Gibsonburg

Village of Gibsonburg has an agreement with the Library to not charge the Library for utilities or snow removal for its Gibsonburg branch. The Library branch has been receiving utilities and snow removal at no charge since April 1986. The Library is independent of the Village and does not vote on Village matters.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Birchard Public Library
Sandusky County
423 Croghan Street
Fremont, Ohio 43420-2499

To the Board of Trustees:

We have audited the financial statements of the Birchard Public Library, Sandusky County, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated March 21, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for 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

March 21, 2006



**Auditor of State
Betty Montgomery**

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BIRCHARD PUBLIC LIBRARY

SANDUSKY 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
APRIL 6, 2006**