



**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2007



Mary Taylor, CPA
Auditor of State

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

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Mary Taylor, CPA

Auditor of State

Defiance Public Library
Defiance County
320 Fort Street
Defiance, Ohio 43512-2186

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 19, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Defiance Public Library
Defiance County
320 Fort Street
Defiance, Ohio 43512-2186

To the Board of Trustees:

We have audited the accompanying financial statements of Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2007 and 2006. 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. Also, the Library reclassified its presentation of the Bequest Funds as described in Note 2

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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.

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, 2007 and 2006, 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, 2007 and 2006, 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 Defiance Public Library, Defiance County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 February 19, 2008, 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.



Mary Taylor, CPA
Auditor of State

February 19, 2008

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$1,489,460			\$1,489,460
Intergovernmental	10,272			10,272
Patron Fines and Fees	23,252			23,252
Contributions, Gifts and Donations	4,698			4,698
Earnings on Investments	65,404	\$260		65,664
Miscellaneous	28,231			28,231
Total Cash Receipts	<u>1,621,317</u>	<u>260</u>		<u>1,621,577</u>
Cash Disbursements:				
Current:				
Salaries	743,177			743,177
Employee Fringe Benefits	220,446			220,446
Purchased and Contractual Services	281,750			281,750
Library Materials and Information	169,166			169,166
Supplies	38,773			38,773
Other	8,914			8,914
Capital Outlay	16,081		\$9,558	25,639
Total Cash Disbursements	<u>1,478,307</u>		<u>9,558</u>	<u>1,487,865</u>
Total Cash Receipts Over/(Under) Cash Disbursements	143,010	260	(9,558)	133,712
Fund Cash Balances, January 1	<u>593,131</u>	<u>7,125</u>	<u>845,708</u>	<u>1,445,964</u>
Fund Cash Balances, December 31	<u>\$736,141</u>	<u>\$7,385</u>	<u>\$836,150</u>	<u>\$1,579,676</u>
Reserve for Encumbrances, December 31	<u>\$11,379</u>			<u>\$11,379</u>

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$1,489,461			\$1,489,461
Patron Fines and Fees	24,951			24,951
Contributions, Gifts and Donations	11,444			11,444
Earnings on Investments	63,010	\$206		63,216
Miscellaneous	21,350			21,350
	<u>1,610,216</u>	<u>206</u>	<u></u>	<u>1,610,422</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries	721,342			721,342
Employee Fringe Benefits	169,856			169,856
Purchased and Contractual Services	264,967		\$7,501	272,468
Library Materials and Information	240,037			240,037
Supplies	31,800			31,800
Other	8,145			8,145
Capital Outlay	17,333		41,074	58,407
	<u>1,453,480</u>	<u></u>	<u>48,575</u>	<u>1,502,055</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	156,736	206	(48,575)	108,367
Fund Cash Balances, January 1	436,395	6,919	894,283	1,337,597
Fund Cash Balances, December 31	<u>\$593,131</u>	<u>\$7,125</u>	<u>\$845,708</u>	<u>\$1,445,964</u>
Reserve for Encumbrances, December 31	<u>\$14,709</u>			<u>\$14,709</u>

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 the Defiance Public Library, Defiance County, (the Library) as a body corporate and politic. The Mayor of the City of Defiance appoints a six-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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting 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. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis 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 funds report.

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Bequest Fund (C. Feeney, N. Gary, J. George, and P. Harmon) – This fund is used for land or building improvements.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. 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:

Permanent Improvement Fund – This fund utilizes transfers from the General Fund to make improvements to the buildings.

E. Budgetary Process

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

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

2. RECLASSIFICATION AND RESTATEMENT OF FUND BALANCE

In accordance with the provisions of Governmental Accounting Standards Board Statement 34, the Library has reclassified its Bequest Fund from an expendable trust fund to a special revenue fund for 2006.

During 2006 the Library corrected a 2005 posting error on a \$170,000 land purchase that was recorded in the Capital Project Fund instead of the Bequest Fund, as the Board intended.

The combined effect on fund balances is as follows:

	Special Revenue	Capital Project	Expendable Trust
Fund Balances as reported at December 31, 2005		\$724,283	\$176,919
Prior Period Adjustment Reclassification of Fund Balances		170,000	(170,000)
	<u>\$6,919</u>		<u>(6,919)</u>
Restated Fund Balances at January 1, 2006	<u>\$6,919</u>	<u>\$894,283</u>	

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. 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 was as follows:

	2007	2006
Demand deposits	\$1,034,690	\$901,655
Certificates of Deposit		100,000
Cash on Hand	295	295
Total deposits	1,034,985	1,001,950
STAR Ohio	544,691	444,014
Total deposits and investments	\$1,579,676	\$1,445,964

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or 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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,506,653	\$1,621,317	\$114,664
Special Revenue	20	260	240
Total	\$1,506,673	\$1,621,577	\$114,904

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,869,980	\$1,489,686	\$380,294
Special Revenue	7,140		7,140
Capital Projects	840,880	9,558	831,322
Total	\$2,718,000	\$1,499,244	\$1,218,756

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,556,960	\$1,610,216	\$53,256
Special Revenue	630	206	(424)
Capital Projects	25,000		(25,000)
Total	\$1,582,590	\$1,610,422	\$27,832

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,956,649	\$1,468,189	\$488,460
Special Revenue	176,948		176,948
Capital Projects	719,154	48,575	670,579
Total	\$2,852,751	\$1,516,764	\$1,335,987

5. GRANTS-IN-AID

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 of any additional revenues the Library receives.

6. RETIREMENT SYSTEM

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

8. SUBSEQUENT EVENTS

The voters approved a .75 millage tax levy in May 2007 for 5 years to be used for general expenses. The Library will begin collecting tax revenue in 2008.

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Mary Taylor, CPA

Auditor of State

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

Defiance Public Library
Defiance County
320 Fort Street
Defiance, Ohio 43512-2186

To the Library Board of Trustees:

We have audited the financial statements of Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 19, 2008, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and the Library reclassified its Bequest Funds. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the finding described above is also a material weakness.

We also noted a certain matter that we reported to the Library's management in a separate letter dated February 19, 2008.

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*.

We intend this report solely for the information and use of the audit committee, management, and the Library Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 19, 2008

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Board to accurately assess the financial status of the Library. We noted examples such as the following in our testing:

- Restatement of the 2006 beginning fund balances was necessary to correct the distribution of \$170,000 among funds for a 2005 land purchase,
- The Library's Bequest Funds were improperly classified as Expendable Trust Funds instead of Special Revenue Funds as prescribed in Audit Bulletin 2005-005.

As a result, the Library's financial statements did not correctly reflect the financial activity of the Library. The accompanying financial statements have been adjusted to accurately reflect the activity during the audit period. No adjustments to the Library's records were needed for these changes.

We recommend the Fiscal Officer follow Audit Bulletin 2005-005 for fund classification when preparing the Library's annual financial statement. Further, the Library should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and the Board to ensure that errors and omissions are detected and corrected.

Management's Response

We did not receive a response from Officials to this finding.

DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding For Recovery Repaid Under Audit	Yes	



Mary Taylor, CPA
Auditor of State

DEFIANCE PUBLIC LIBRARY

DEFIANCE 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
MARCH 11, 2008**