



Mary Taylor, CPA
Auditor of State

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ritter Public Library
Erie County
5680 Liberty Avenue
Vermilion, Ohio 44089-1198

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ritter Public Library, Erie County, Ohio (the Library), as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ritter Public Library, Erie County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 17, 2010

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

This discussion and analysis of the Ritter Public Library's (the Library's) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities decreased \$2,983,124, or 49.2 percent, a significant change from the prior year. The decrease is due primarily to the disbursement of proceeds from the sale of bonds received in fiscal year 2008 for the Library construction and renovation project.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs (Library and Local Government Support Funds). These receipts represent 40.9 and 39.3 percent, respectively, of total cash receipts during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Library at year end. The statement of activities compares cash disbursements with program receipts for each Library program. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Library function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and LLGSF.

In the statement of net assets and the statement of activities, the Library has one type of activity.

Governmental activities – All of the Library's basic services are reported here including general library and support services. These services are funded primarily through property taxes and LLGSF funds.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all classified as governmental funds.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, the Building and Repair Fund, and the Construction Fund. The programs reported in governmental funds are closely related to those reported in the governmental funds activities section of the entity-wide statements.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2009	2008
Assets		
Cash and Cash Equivalents	\$3,074,457	\$6,057,581
Total Assets	\$3,074,457	\$6,057,581
Net Assets		
Restricted for:		
Capital Projects	2,421,605	5,394,601
Other Purposes	39,837	41,826
Unrestricted	613,015	621,154
Total Net Assets	\$3,074,457	\$6,057,581

As mentioned previously, net assets of Library activities decreased \$2,983,124, or 49.2 percent during 2009. The primary reason contributing to the decreases in cash balances is the disbursement of bond proceeds received in fiscal year 2008 for the Library construction and renovation project resulting in increased capital outlay. Interest receipts increased \$50,266 due to higher investment balances related to unspent proceeds. Library and Local Government Support funds decreased \$107,464 during fiscal year 2009 due to cuts in funding at the State level.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Table 2 reflects the changes in net assets in 2009 comparative to 2008 activity.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$33,716	\$53,648
Capital Grants and Contributions	11,950	
Total Program Receipts	45,666	53,648
General Receipts:		
Property Taxes Levied for General Purposes	530,443	530,876
Grants and Entitlements not Restricted to Specific Programs	508,756	616,220
Unrestricted Gifts and Contributions	24,843	39,593
Earnings on Investments	177,859	127,593
Miscellaneous	8,535	2,805
Sale of Bonds		3,500,000
Discounts, Premiums and Accrued Interest on Debt		2,105
Total General Receipts	1,250,436	4,819,192
Total Receipts	1,296,102	4,872,840
Disbursements:		
Library Services:		
Public Service and Programs	600,115	543,900
Collection Development and Processing	118,421	105,176
Support Services:		
Facilities Operations and Maintenance	128,495	152,814
Information Services	9	
Business Administration	285,900	318,482
Other	123	
Capital Outlay	3,146,163	411,794
Total Disbursements	4,279,226	1,532,166
Increase (Decrease) in Net Assets	(2,983,124)	3,340,674
Net Assets, January 1	6,057,581	2,716,907
Net Assets, December 31	\$3,074,457	\$6,057,581

Program receipts represent only 2.75 percent of total receipts and are primarily comprised of patron fines, fees and coin operated machine income.

Disbursements for public service programs, collection development and processing, facilities operations and maintenance, and business administration represent the major costs of running the Library.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Library Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column entitled "Program Receipts" identify amounts paid by patrons who are directly charged for the service, and amounts received from grantors restricted for capital acquisition. The "Net Cost of Services" column compares the program receipts to the cost of the service; this amount represents the portion of the total cost of services which are paid from general receipts presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Library Services:				
Public Service and Programs	\$600,115	\$554,449	\$543,900	\$490,252
Collection Development and Processing	118,421	118,421	105,176	105,176
Support Services:				
Facilities Operations and Maintenance	128,495	128,495	152,814	152,814
Information Services	9	9		
Business Administration	285,900	285,900	318,482	318,482
Other	123	123		
Capital Outlay	3,146,163	3,146,163	411,794	411,794
Total Expenses	\$4,279,226	\$4,233,560	\$1,532,166	\$1,478,518

The major program disbursements for Library activities are for public service related programs which account for 53 percent of Library disbursements (net capital outlay). The dependence upon general receipts is apparent as 99 percent of Library activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts of \$1,296,102 and disbursements of \$4,279,103 exclusive of other financing sources and uses. The General Fund had \$8,016 disbursements in excess of receipts and the balance decreased by \$8,139. Library and Local Government Support funds decreased \$107,464 during fiscal year 2009 due to cuts in funding at the State level. Additionally interest revenues in the General Fund decreased \$81,148 due to declining interest rates. These decreases in revenue were offset with a decrease in capital disbursements from the General Fund, and not making an annual transfer to the Building Fund as in years past. The Building and Repair Fund balance decreased by \$1,370,263, this decrease was due to increased disbursements for the Library renovation and construction project. The Construction Fund balance decreased \$1,602,733 due the disbursement of bond proceeds received in fiscal year 2008 for the Library renovation and construction project.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2009, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts totaled \$1,270,115 while actual receipts totaled \$1,126,040 for a difference of \$144,075. The majority of this difference was due to actual property tax and local library and government support receipts not meeting original estimates.

Final disbursements and other financial uses were budgeted at \$1,320,604 while actual disbursements and other financing uses were \$1,167,992 for a difference of \$152,612. The majority of the difference was due to spending on public services and programs and business administration being less than amounts budgeted.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

In 1992, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for improvements to the Library. The Board of Education serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the levy, the Board of Education issued District general obligation bonds, in the amount of \$1,600,000 in 1993 for Library improvements. The bonds will be paid from proceeds of the property tax levy. This debt is not an obligation of the Library however, it is a liability of the Board of Education and is reflected on their financial records.

In November of 2007, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for a new addition to the Library. With the approval of that levy, the Board of Education issued general obligation bonds in the amount of \$3,500,000 in 2008. This debt is not an obligation of the Library and appears as a liability of the Board of Education on their financial records. The Board of Trustees of Ritter Public Library asked that the old bond issue be fully paid before the new issue was levied against the taxpayers.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our financial forecast is designed to keep the library in the black; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan has been in effect for some years already, however with the funding freezes and the forecast of reduced funding we are charged anew with keeping spending in check.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

In 2006, the Board of Trustees embarked upon a building project for which it has been putting aside money for 10 years. 2008 marked the beginning of that project with 2009 seeing the bulk of the building and renovation. The new addition and renovation is expected to be finished in the first quarter of 2010. Construction costs are estimated at \$4.9 million dollars. In addition to the funds from the proceeds of the sale of bonds (\$3.5 million), the Board of Trustees has been able to save over \$2 million dollars by carefully planning income and expenses for the past 10 years. It is their intent to continue this frugal planning to be prepared for further renovations in the future should the need arise.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to M. Janet Springer, Fiscal Officer, Ritter Public Library, 5680 Liberty Avenue, Vermilion, OH 44089-1198.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	Governmental Activities
Assets	
Cash and Cash Equivalents	<u>\$3,074,457</u>
Total Assets	<u><u>\$3,074,457</u></u>
Net Assets:	
Restricted for:	
Capital Projects	2,421,605
Other Purposes	39,837
Unrestricted	<u>613,015</u>
Total Net Assets	<u><u>\$3,074,457</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	Program Revenues		Net (Disbursements) Receipts and Changes in Net Assets	
Expenses	Charges for Services and Sales	Capital Grants Contributions	Governmental Activities	
Governmental Activities:				
Library Services:				
Public Service and Programs	\$600,115	\$33,716	\$11,950	(\$554,449)
Collection Development and Processing	118,421			(118,421)
Support Services:				
Facilities Operations and Maintenance	128,495			(128,495)
Information Services	9			(9)
Business Administration	285,900			(285,900)
Other	123			(123)
Capital Outlay	3,146,163			(3,146,163)
Total Governmental Activities	<u>\$4,279,226</u>	<u>\$33,716</u>	<u>\$11,950</u>	<u>(4,233,560)</u>
General Receipts:				
Property Taxes Levied for General Purposes				530,443
Grants and Entitlements not Restricted to Specific Programs				508,756
Unrestricted Gifts and Contributions				24,843
Earnings on Investments				177,859
Miscellaneous				8,535
Total General Receipts				<u>1,250,436</u>
Change in Net Assets				(2,983,124)
Net Assets Beginning of Year				<u>6,057,581</u>
Net Assets End of Year				<u>\$3,074,457</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	<u>\$613,015</u>	<u>\$641,354</u>	<u>\$1,780,251</u>	<u>\$39,837</u>	<u>\$3,074,457</u>
Fund Balances:					
Reserved for Encumbrances	33,813	81,612	157,019		272,444
Undesignated, Unreserved, Reported in:					
General Fund	579,202				579,202
Capital Projects Fund		559,742	1,623,232		2,182,974
Special Revenue Fund				<u>39,837</u>	<u>39,837</u>
Total Fund Balances	<u>\$613,015</u>	<u>\$641,354</u>	<u>\$1,780,251</u>	<u>\$39,837</u>	<u>\$3,074,457</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$530,443				\$530,443
Library and Local Government Support	508,756				508,756
Intergovernmental	1,950				1,950
Patron, Fines and Fees	33,716				33,716
Contributions, Gifts and Donations	24,841		\$10,002		34,843
Investment Income	20,299	\$56	157,504		177,859
Miscellaneous	6,035		2,500		8,535
Total Receipts	<u>1,126,040</u>	<u>56</u>	<u>170,006</u>		<u>1,296,102</u>
Disbursements:					
Library Services:					
Public Service and Programs	598,126			\$1,989	600,115
Collection Development and Processing	118,421				118,421
Support Services:					
Facilities Operations and Maintenance	128,495				128,495
Information Services	9				9
Business Administration	285,900				285,900
Capital Outlay	3,105	56,805	3,086,253		3,146,163
Total Disbursements	<u>1,134,056</u>	<u>56,805</u>	<u>3,086,253</u>	<u>1,989</u>	<u>4,279,103</u>
Receipts Under Disbursements	(8,016)	(56,749)	(2,916,247)	(1,989)	(2,983,001)
Other Financing Sources / (Uses)					
Transfers In		135,939	1,449,453		1,585,392
Transfers Out		(1,449,453)	(135,939)		(1,585,392)
Other Financing Uses	(123)				(123)
Total Other Financing Sources / (Uses)	<u>(123)</u>	<u>(1,313,514)</u>	<u>1,313,514</u>		<u>(123)</u>
Net Change in Fund Balances	<u>(8,139)</u>	<u>(1,370,263)</u>	<u>(1,602,733)</u>	<u>(1,989)</u>	<u>(2,983,124)</u>
Fund Balances Beginning of Year	621,154	2,011,617	3,382,984	41,826	6,057,581
Fund Balances End of Year	<u>\$613,015</u>	<u>\$641,354</u>	<u>\$1,780,251</u>	<u>\$39,837</u>	<u>\$3,074,457</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$539,105	\$572,847	\$530,443	(\$42,404)
Library and Local Government Support	583,162	578,068	508,756	(69,312)
Intergovernmental			1,950	1,950
Patron, Fines and Fees	34,000	34,000	33,716	(284)
Contributions, Gifts and Donations	35,000	35,000	24,841	(10,159)
Investment Income	50,000	50,000	20,299	(29,701)
Miscellaneous	200	200	6,035	5,835
<i>Total Receipts</i>	<u>1,241,467</u>	<u>1,270,115</u>	<u>1,126,040</u>	<u>(144,075)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	693,138	693,138	630,707	62,431
Collection Development and Processing	120,368	120,368	118,421	1,947
Support Services:				
Facilities Operations and Maintenance	159,241	159,241	129,606	29,635
Information Services			9	(9)
Business Administration	338,784	338,784	286,021	52,763
Capital Outlay	6,950	6,950	3,105	3,845
<i>Total Disbursements</i>	<u>1,318,481</u>	<u>1,318,481</u>	<u>1,167,869</u>	<u>150,612</u>
<i>Receipts Under Disbursements</i>	<u>(77,014)</u>	<u>(48,366)</u>	<u>(41,829)</u>	<u>6,537</u>
Other Financing Uses:				
Other Financing Uses	(2,123)	(2,123)	(123)	2,000
<i>Net Change in Fund Balance</i>	(79,137)	(50,489)	(41,952)	8,537
<i>Fund Balance Beginning of Year</i>	<u>571,699</u>	<u>571,699</u>	<u>571,699</u>	
Prior Year Encumbrances Appropriated	49,455	49,455	49,455	
<i>Fund Balance End of Year</i>	<u>\$542,017</u>	<u>\$570,665</u>	<u>\$579,202</u>	<u>\$8,537</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Ritter Public Library (the Library) was organized as a school district public library in Vermilion under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Vermilion Local Schools Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" the Library is considered to be a related organization of the Vermilion Local School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Ritter Public Library Endowment Fund has been formed as a separate entity of the Ritter Public Library. The Ritter Public Library Board of Trustees maintains no control over the finances of the Endowment Fund. The Endowment fund Trustees are authorized to conduct activities for the Endowment and report their activities to the Library Board of Trustees annually. The mission of the Ritter Public Library Endowment Fund is to receive, develop, and administer funds for specific and worthy purposes while providing for the library's future needs, stability and growth.

The Friends of the Ritter Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Ritter Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library did not have any business-type activities.

The statement of net assets presents the cash and investment balances, of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental. (The Library's funds are divided into three categories, governmental, proprietary and fiduciary.)

RITTER PUBLIC LIBRARY
ERIE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

Construction Fund - The construction fund accounts for receipts from a school district bond issue and the subsequent disbursement of these monies for the renovation and addition to the Library.

The other governmental funds of the Library account for other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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 negative receipts, respectively.

During 2009, investments were limited to mutual funds and STAR Ohio. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

The Library's money market fund and STAR Ohio investments are recorded at amounts reported by the fund on December 31, 2009.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2009 amounted to \$20,299 which includes \$2,353 assigned from other Library funds.

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

RITTER PUBLIC LIBRARY
ERIE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net assets include resources restricted for capital projects and library programs and services.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transactions

Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to \$33,813 for the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$595 in undeposited cash on hand which is included as part of cash and cash equivalents on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$55,129 of the Library's bank balance of \$2,960,251 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2008, the Library had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$49,733	6 months or less
Mutual Fund	158,681	6 months or less
	\$208,414	

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. The mutual fund represents a GNMA fund and is rated AAA. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: The risk that, in the event of bank failure, the Library's deposits may not be returned. The Library has no investments policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The Library places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Library at December 31, 2008:

Investment Type	Carrying Amount	% to Total
STAR Ohio	\$49,773	23.88%
Mutual Fund	158,681	76.12%
	\$208,454	100.00%

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 5 – GRANTS-IN-AID AND PROPERTY TAXES

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.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Vermilion City School District. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2009, was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Residential/agricultural and other real estate	\$407,388,370
Public utility personal	45,916,930
Tangible personal property	1,555,598
Total	<u><u>\$454,860,898</u></u>

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 6 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
State Farm Insurance	Commercial Property	\$4,649,100
	General Liability	\$10,005,000
	Commercial Crime	
	Inland Marine	
	Vehicle	
France and Associates	Errors and Omissions	\$1,000,000 / \$3,000,000
Allen Throley DeLloyd	Library Officials	\$75,000
	Fidelity and Deposit	

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Ritter Public Library provides health insurance to all of its' full time professional positions. Full time non-professional positions receive 75% of their premium paid for them, not to exceed \$300.00. Part time positions receive a prorated portion based on the percentage of a 35-hour week the employee is scheduled to work. Those employees working less than 20 hours are not entitled to Board-contributed health insurance.

Ritter Public Library provides \$15,000 of Life insurance to all full time salaried employees, and hourly employees working 20 hours or more. The Director and Fiscal Officer are provided with \$30,000 of Board paid life insurance. The professional staff is provided with \$25,000 paid life insurance.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Plan Description- The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 7 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2009 was 14 percent of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$143,803, \$135,799, and \$82,323 respectively; the full amount has been contributed for 2009, 2008 and 2007.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$60,346, \$67,900, and \$32,690 respectively; the full amount has been contributed for 2009, 2008 and 2007.

NOTE 9 – DEBT

In 1992, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for improvements to the Library. The Board of Education serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the levy, the Board of Education issued District general obligation bonds, in the amount of \$1,600,000 in 1993 for Library improvements. The bonds will be paid from proceeds of the property tax levy. This debt is not an obligation of the Library; however, it is a liability of the Board of Education and is reflected on their financial records. The District retired the bonds in 2009.

In November of 2007, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for a new addition to the Library. With the approval of that levy, the Board of Education issued general obligation bonds in the amount of \$3,500,000 in 2008. This debt is not an obligation of the Library; however, it is a liability of the Board of Education and is reflected on their financial records.

NOTE 10 – INTERFUND TRANSFERS

The Building and Repair Fund transferred \$1,449,453 to the Construction Fund for local monies disbursed for the Library renovation and construction project. The Construction Fund transferred \$135,939 to the Building and Repair Fund reimbursing excess monies initially transferred from the Building and Repair Fund.

RITTER PUBLIC LIBRARY
ERIE COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)

NOTE 11 – SIGNIFICANT CONTRACTUAL COMMITMENTS

The Library has outstanding contracts for Library construction and renovations. The following amounts remain on these contracts as of December 31, 2009:

APG Office Furnishings	\$200,831
Fresch Electric Inc.	235,533
G.P. Wiegand	730,967
Laketec Communications, Inc.	4,333
Laketec Communications, Inc.	16,005
Library Design Associates, Inc.	38,662
S.A. Comunale	3,870
Safe Harbor Security	16,334
Safe Harbor Security	14,295
Suburban Process Piping	50,738
Westland Heating/Air Conditioning	60,411
Total	<u>\$1,371,979</u>

NOTE 12 – CONTINGENT LIABILITIES

As of December 31, 2009 the Library was not involved in any lawsuits. Management believes there are no pending or future legal matters that would materially adversely affect the Library's financial condition.



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*

Ritter Public Library
Erie County
5680 Liberty Avenue
Vermilion, Ohio 44089-1198

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ritter Public Library, Erie County, (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 17, 2010 wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated December 17, 2010.

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



Mary Taylor, CPA
Auditor of State

December 17, 2010



Mary Taylor, CPA
Auditor of State

RITTER PUBLIC LIBRARY

ERIE 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
JANUARY 6, 2011**