



**Mary Taylor, CPA**  
Auditor of State



RITTER PUBLIC LIBRARY  
ERIE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management Discussion and Analysis .....	3
Basic Financial Statements:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005 .....	9
Statement of Activities – Modified Cash Basis – For the Year Ended December 31, 2005.....	10
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds – December 31, 2005 .....	11
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances Governmental Funds – For the Year Ended December 31, 2005.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005.....	13
Notes to the Basic Financial Statements .....	14
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25

**This page intentionally left blank.**



# 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, 2005, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified 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, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2007, 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

March 6, 2007

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Ritter Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's modified 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 2005 are as follows:

- Net assets of governmental activities increased \$115,418, or 4.7 percent, a moderate change from the prior year. Spending was closely guarded because of funding concerns as well as income from taxes proving to be more than anticipated. The fund most affected by the increase in cash and cash equivalents was the General Fund which had \$145,694 receipts in excess of disbursements prior to transfers to the Building and Repair fund.
- The Library's general receipts are primarily property and grants and entitlements not restricted to specific programs (Library and Local Government Support Funds). These receipts represent 31.6 and 55 percent, respectively, of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 increased slightly compared to 2004.

**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 modified 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

As a result of using the modified 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 modified cash basis of accounting.

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, within the limitations of modified 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 governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. 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 modified 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 by property taxes and LLGSF revenues.

**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 nonmajor 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, and the Building & Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$2,590,238	\$2,474,820
Total Assets	\$2,590,238	\$2,474,820
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$1,901,859	\$1,532,135
Other Purposes	40,051	40,051
Unrestricted	648,328	902,634
Total Net Assets	\$2,590,238	\$2,474,820

As mentioned previously, net assets of Library activities increased \$115,418 or 4.7 percent during 2005. The primary reasons contributing to the increase in cash balances are increased tax revenues and unrestricted grants and entitlements that offset moderate increases in expenditures attributed to capital outlay. Historically the Library has attempted to limit spending in order to provide funds for transferring to the Building and Repair Fund.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2005 comparative to 2004 activity.

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$36,463	\$36,688
Total Program Receipts	<u>36,463</u>	<u>36,688</u>
General Receipts:		
Property and Other Local Taxes	342,549	330,530
Grants & Entitlements Not Restricted	597,301	583,805
Unrestricted Gifts and Contributions	31,659	4,072
Interest	51,813	72,403
Miscellaneous	<u>25,534</u>	<u>41,505</u>
Total General Receipts	<u>1,048,856</u>	<u>1,032,315</u>
Total Receipts	<u>1,085,319</u>	<u>1,069,003</u>
Disbursements:		
Library Services:		
Public Service & Programs	402,945	407,512
Collection Development & Processing	98,902	101,637
Support Services:		
Facilities Operations & Maintenance	172,248	182,572
Business Administration	265,530	269,478
Capital Outlay	<u>30,276</u>	<u>1,859</u>
Total Disbursements	<u>969,901</u>	<u>963,058</u>
Increase in Net Assets	115,418	105,945
Net Assets, January 1	<u>2,474,820</u>	<u>2,368,875</u>
Net Assets, December 31	<u><u>\$2,590,238</u></u>	<u><u>\$2,474,820</u></u>

Program receipts represent only 3.4 percent of total receipts and are comprised of patron fines, fees and coin operated machine income.

General receipts represent 96.6 percent of the Library's total receipts, and of this amount, 32.7 percent are local taxes. Grants and entitlements not restricted include Library and Local Government Support Funds and represent 56.9 percent of total general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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, 2005  
UNAUDITED  
(Continued)**

**Library Activities**

If you look at the Statement of Activities, you will see that the first column lists the major costs for services provided by the Library. The major program disbursements for Library activities are for public service related programs which account for 41.5 percent of all Library disbursements. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. These "net costs" are paid from the general receipts which are 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 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
Library Services:				
Public Service and Programs	402,945	366,482	\$407,512	370,824
Collection Development and Processing	98,902	98,902	101,637	101,637
Support Services:				
Facilities Operations and Maintenance	172,248	172,248	182,572	182,572
Information Services				
Business Administration	265,530	265,530	269,478	269,478
Capital Outlay	30,276	30,276	1,859	1,859
Total Expenses	<u>\$969,901</u>	<u>\$933,438</u>	<u>\$963,058</u>	<u>\$926,370</u>

The dependence upon property and income tax receipts is apparent as over 96.2 percent of Library activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$1,085,319 and disbursements of \$969,901 exclusive of transfers in and out. As previously mentioned the General Fund had \$145,694 receipts in excess of disbursements. This increase is attributed to an increase in receipts and a decrease in expenditures compared to fiscal year 2004. This amount and balances on hand in the General Fund provided sufficient resources to permit transferring \$400,000 to the Building Fund. The Board of Trustees has been transferring money to the Building Fund for 11 years to fund acquisition of land as well as a future building project.

**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.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

During 2005, no amendments were made to the General Fund budget. Final budgeted receipts totaled \$1,047,140 while actual receipts totaled \$1,085,319 for a difference of \$38,179. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,388,814 while actual disbursements were \$1,380,285 for a difference of \$8,529. Spending was carefully guarded because of the volatile climate at the State level. The Library kept spending below budgeted amounts as demonstrated by the reported variances.

**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 Educations 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.

**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 any 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. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library. We are reducing discretionary spending in all areas. Building maintenance and staffing levels will remain our focus as these are our face to the public. Hours of service will be reviewed every year.

**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, Clerk-Treasurer, Ritter Public Library, 5680 Liberty Avenue, Vermilion, OH 44089-1198.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$2,590,238
Total Assets	<u>\$2,590,238</u>
<b>Net Assets:</b>	
Restricted for:	
Capital Projects	1,901,859
Other Purposes	40,051
Unrestricted	<u>648,328</u>
Total Net Assets	<u>\$2,590,238</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Library Services:			
Public Service and Programs	\$402,945	\$36,463	(\$366,482)
Collection Development and Processing	98,902		(98,902)
Support Services:			
Facilities Operations and Maintenance	172,248		(172,248)
Business Administration	265,530		(265,530)
Capital Outlay	30,276		(30,276)
Total Governmental Activities	<u>\$969,901</u>	<u>\$36,463</u>	<u>(933,438)</u>
 <b>General Receipts:</b>			
Property Taxes Levied for General Purposes			342,549
Grants and Entitlements not Restricted to Specific Programs			597,301
Unrestricted Gifts and Contributions			31,659
Earnings on Investments			51,813
Miscellaneous			25,534
Total General Receipts			<u>1,048,856</u>
Change in Net Assets			115,418
<b>Net Assets Beginning of Year</b>			<u>2,474,820</u>
<b>Net Assets End of Year</b>			<u>\$2,590,238</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$648,328	\$1,901,859	\$40,051	\$2,590,238
<b>Fund Balances:</b>				
Reserved for Encumbrances	40,660			40,660
Undesignated, Unreserved, Reported in:				
General Fund	607,668			607,668
Capital Projects Fund		1,901,859		1,901,859
Special Revenue			40,051	40,051
<b>Total Fund Balances</b>	<u>\$648,328</u>	<u>\$1,901,859</u>	<u>\$40,051</u>	<u>\$2,590,238</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED - CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property Taxes	\$342,549			\$342,549
Library and Local Government Support	597,301			597,301
Patron, Fines and Fees	36,463			36,463
Contributions, Gifts and Donations	31,659			31,659
Investment Income	51,813			51,813
Miscellaneous	25,534			25,534
<b>Total Receipts</b>	<b>1,085,319</b>			<b>1,085,319</b>
<b>Disbursements:</b>				
Library Services:				
Public Service and Programs	402,945			402,945
Collection Development and Processing	98,902			98,902
Support Services:				
Facilities Operations and Maintenance	172,248			172,248
Business Administration	265,530			265,530
Capital Outlay		\$30,276		30,276
<b>Total Disbursements</b>	<b>939,625</b>	<b>30,276</b>		<b>969,901</b>
 Excess of Receipts Over (Under) Disbursements	 145,694	 (30,276)		 115,418
<b>Other Financing Sources (Uses)</b>				
Transfers In		400,000		400,000
Transfers Out	(400,000)			(400,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(400,000)</b>	<b>400,000</b>		
 Net Change in Fund Balances	 (254,306)	 369,724		 115,418
<b>Fund Balances Beginning of Year</b>	<b>902,634</b>	<b>\$1,532,135</b>	<b>\$40,051</b>	<b>2,474,820</b>
<b>Fund Balances End of Year</b>	<b>\$648,328</b>	<b>\$1,901,859</b>	<b>\$40,051</b>	<b>\$2,590,238</b>

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 YEARS ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$330,953	\$330,953	\$342,549	\$11,596
Library and Local Government Support	578,988	578,988	597,301	18,313
Patron, Fines and Fees	36,600	36,600	36,463	(137)
Contributions, Gifts and Donations	28,697	28,697	31,659	2,962
Earnings on Investments	51,807	51,807	51,813	6
Miscellaneous	20,095	20,095	25,534	5,439
<i>Total Receipts</i>	<u>1,047,140</u>	<u>1,047,140</u>	<u>1,085,319</u>	<u>38,179</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	419,627	418,781	423,514	(4,733)
Collection Development and Processing	105,080	105,044	98,902	6,142
Support Services:				
Facilities Operations and Maintenance	193,162	195,047	189,739	5,308
Business Administration	270,746	269,942	268,130	1,812
<i>Total Disbursements</i>	<u>988,615</u>	<u>988,814</u>	<u>980,285</u>	<u>8,529</u>
<i>Excess of Receipts Over Disbursements</i>	<u>58,525</u>	<u>58,326</u>	<u>105,034</u>	<u>46,708</u>
<b>Other Financing Uses</b>				
Transfers Out	(400,000)	(400,000)	(400,000)	
<i>Net Change in Fund Balance</i>	(341,475)	(341,674)	(294,966)	46,708
<i>Fund Balance Beginning of Year</i>	<u>865,510</u>	<u>865,510</u>	<u>865,510</u>	
Prior Year Encumbrances Appropriated	37,124	37,124	37,124	
<i>Fund Balance End of Year</i>	<u>\$561,159</u>	<u>\$560,960</u>	<u>\$607,668</u>	<u>\$46,708</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, 2005**

**NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Ritter Public Library was organized as a school district public library 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 Clerk-Treasurer.

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," 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 Pubic 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, 2005  
(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 *modified* cash basis of accounting. This *modified* 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 *modified* cash basis of accounting. 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 modified 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 calendar year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as Governmental.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 – This fund receives General Fund monies to be used for capital expenses.

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 modified 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.

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 Clerk Treasurer or the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted including amounts automatically carried forward from prior years. 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.

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 "Pooled Cash and Cash Equivalents."

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts.

During 2005 investments were limited to mutual funds, STAR Ohio and nonnegotiable certificates of deposit. Investments are recorded at cost.

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 Rule 2a7 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, 2005.

Interest receipt credited to the general fund during 2005 amounted to \$51,813 which includes \$38,860 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 modified 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.

**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 assets represent monies restricted for capital projects and grants.

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.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

Interfund transfers are reported as other financing sources/uses in governmental funds and eliminated from entity wide statements.

**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 – Budgetary Basis for the general fund presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrance outstanding at year end (budgetary basis) amounted to \$40,660 in 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.

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;

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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).

At year end, the Library had \$495 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, \$156,623 of the Library's bank balance of \$2,441,325 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.

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, 2005, the Library had the following investments:

	Carrying Value	Maturity
Mutual Fund	\$ 108,386	
STAR Ohio	72,543	
Total Investments	\$ 180,929	Approximately 1 month

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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.

**NOTE 5 – 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.

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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

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.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 5 – GRANTS-IN-AID AND TAX RECEIPTS – (CONTINUED)**

The full tax rate for all Library operations for the year ended December 31, 2005, was \$1.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	Erie County
Residential	\$291,758,410
Agriculture	7,324,470
Commercial/Industrial/Mineral	54,725,240
Public Utility Property	
Real	247,920
Personal	60,711,030
Tangible Personal Property	25,587,700
Total Assessed Value	\$440,354,770

**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 2005, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
State Farm Insurance	Commercial Property	\$4,351,200
Lindsay Insurance Agency	General Liability Commercial Property	10,005,000 337,500
France & Associates	Errors & Omissions	1,000,000/3,000,000

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.

Ritter Public Library provides health insurance to all of its' full time professional positions. Full time non-professional positions receive \$200.00 per month toward their monthly premiums. 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 employees working 20 hours or more.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

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.

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.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$54,616, \$61,311, \$62,727 respectively; the full amount has been contributed for 2005, 2004, and 2003.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**RITTER PUBLIC LIBRARY  
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits was \$302,315. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**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.

**NOTE 10 – INTERFUND TRANSFERS**

The general fund transferred \$400,000 to the building and repair capital projects fund for future building projects and the purchase and maintenance of various items throughout the Library.

**This page intentionally left blank.**



# 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, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 6, 2007, wherein we noted the Library prepared its financial statements on the modified cash basis of accounting. 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 opinions 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*.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Ritter Public Library  
Erie County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 6, 2007



**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  
MARCH 29, 2007**