



Dave Yost • Auditor of State

FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Findlay-Hancock County Public Library
Hancock County
206 Broadway Street
Findlay, Ohio 45840

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 Findlay-Hancock County Public Library, Hancock County, Ohio (the Library), as of and for the year ended December 31, 2010, 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 2, 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 Findlay-Hancock County Public Library, Hancock County, Ohio, as of December 31, 2010, 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 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



Dave Yost
Auditor of State

August 10, 2011

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

This discussion and analysis of the Findlay-Hancock County District Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010, 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 2010 are as follows:

- Net assets of the Library activities decreased \$224,303 or 11 percent, a significant change from the prior year due to construction cost at the Arlington Branch and reduction in PLF revenue.
- The Library's general receipts are primarily PLF monies derived from state tax revenues. These receipts represent 89 percent of the total cash received for the Library activities during the year 2010. PLF/LLGSF receipts have been reduced since the year 2001 when the Library received \$2,726,031 as compared to 2010 when the Library received \$1,909,526. This reduction in PLF/LLGSF funding has resulted in various cost cutting measures including a reduction in employee staff as well as a reduction in the materials budget.

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 entity-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.

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**UNAUDITED
(Continued)**

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.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2010, 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 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 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 non-financial factors as well such as the condition of the Library's capital assets, the extent of the Library's debt obligations, and the reliance on non-local financial resources for operations.

In the statement of net assets and the statement of activities, the Library only shows governmental activities in which the Library provides the services of any normal library to the public.

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 categorized as governmental.

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 has two major governmental funds. They are the General Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2010	2009
Assets		
Cash and Cash Equivalents	\$1,890,953	\$2,115,256
Net Assets		
Restricted for:		
Capital Projects	450,000	430,000
Permanent Fund	2,040	2,000
Other Purposes	117,594	150,535
Unrestricted	1,321,319	1,532,721
Total Net Assets	\$1,890,953	\$2,115,256

As mentioned previously, net assets of governmental activities decreased \$224,303 or 11 percent during 2010. There were several reasons contributing to the net decrease in cash balances. The most significant was in the General Fund. These items were primarily construction costs at the Arlington Branch over and above insurance reimbursements from tornado damage and the reduction in PLF receipts.

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$72,196	\$80,519
Operating Grants and Contributions	7,950	2,246
Capital Grants and Contributions	57,000	1,025,498
Total Program Receipts	137,146	1,108,263
General Receipts:		
Grants, Entitlements not Restricted to Specific Programs	1,909,526	2,032,539
Contributions, Gifts, and Donations	10,903	30,239
Interest	13,661	20,502
Miscellaneous	64,455	24,664
Total General Receipts	1,998,545	2,107,944
Total Receipts	2,135,691	3,216,207
Disbursements:		
Library Services:		
Public Service and Programs	501,229	602,853
Collection Development and Processing	569,216	618,039
Support Services:		
Facilities Operation and Maintenance	351,512	230,705
Information Services	49,598	54,192
Business Administration	629,167	729,456
Capital Outlay	25,999	301,615
Debt Service:		
Redemption of Principal	215,000	205,000
Interest and Fiscal Charges	18,273	26,575
Total Disbursements	2,359,994	2,768,435
Increase (Decrease) in Net Assets	(224,303)	447,772
Net Assets, January 1	2,115,256	1,667,484
Net Assets, December 31	\$1,890,953	\$2,115,256

Program receipts represent 6 percent of total receipts.

General receipts represent 94 percent of the Library's total receipts, and of this amount, over 89 percent of total receipts are PLF monies.

Disbursements for the Library represent the costs of providing the library services and the support services provided for the other activities. These include payroll costs, various supplies, building maintenance, purchase of books and videos for the collection, and debt service. In 2010 there was a

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**UNAUDITED
(Continued)**

significant decrease in collection development costs and payroll costs. This decrease was due to the fact that the Library reduced staff and the purchases of books and videos due to funding reductions.

Governmental 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 identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money of which a majority is provided by local patrons. 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 2010	Total Cost Of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Library Services:				
Public Service & Programs	\$501,229	\$602,853	\$422,233	\$522,334
Collection Development and Processing	569,216	618,039	569,216	618,039
Support Services:				
Facilities Operation and Maintenance	351,512	230,705	351,512	230,705
Information Services	49,598	54,192	49,598	54,192
Business Administration	629,167	729,456	628,017	727,210
Capital Outlay	25,999	301,615	(31,001)	(723,883)
Principal Retirement	215,000	205,000	215,000	205,000
Interest and Fiscal Charges	18,273	26,575	18,273	26,575
Total Expenses	\$2,359,994	\$2,768,435	\$2,222,848	\$1,660,172

The dependence upon PLF monies is apparent as almost 90 percent of the Library activities are supported through these general receipts in a normal year.

The Library's Funds

Total Library funds had receipts and other financing sources of \$2,375,976 and disbursements and other financing uses of \$2,600,279. The greatest change within the Library funds occurred within the General Fund. The fund balance of the General Fund decreased as discussed previously in this report.

**FINDLAY-HANCOCK COUNTY DISTRICT PUBLIC LIBRARY
HANCOCK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

**UNAUDITED
(Continued)**

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.

Final disbursements and other financing uses were budgeted at \$3,624,773 while actual disbursements and other financing uses were \$2,352,338. It is obvious from this large difference that the Library did not spend all monies that were available at the beginning of the year. The Library strives to keep one half years budgeted expenses in an excess cash position.

Debt Administration

At December 31, 2010, the Library's outstanding debt was \$220,000 in obligation bonds issued for the building of a new library. For further information regarding Library's debt, refer to Note 8 to the basic financial statements.

Current Issues

The challenge for the Library is to provide quality services to the public while staying within the restrictions imposed by limited and shrinking, funding. We rely heavily on PLF monies which may even be reduced further in 2011. A property tax levy was passed in the spring of 2010 and should generate a net amount to the Library of \$680,000. The levy has allowed the Library to hire back staff and return to normal operating hours.

Contacting the Library's Financial Management

This financial report is designed to provide the citizens of Hancock County 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 R. W. Struble, Fiscal Officer, 206 Broadway Street, Findlay, Ohio 45840.

FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,890,953</u>
Net Assets	
Restricted for:	
Capital Projects	\$450,000
Permanent Fund	2,040
Other Purposes	117,594
Unrestricted	<u>1,321,319</u>
<i>Total Net Assets</i>	<u>\$1,890,953</u>

See accompanying notes to the basic financial statements

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Public Service and Programs	\$501,229	\$72,196	\$6,800		(\$422,233)
Collection Development and Processing	569,216				(569,216)
Support Services:					
Facilities Operation and Maintenance	351,512				(351,512)
Information Services	49,598				(49,598)
Business Administration	629,167		1,150		(628,017)
Capital Outlay	25,999			\$57,000	31,001
Debt Service:					
Principal Retirement	215,000				(215,000)
Interest and Fiscal Charges	18,273				(18,273)
<i>Total Governmental Activities</i>	<u>\$2,359,994</u>	<u>\$72,196</u>	<u>\$7,950</u>	<u>\$57,000</u>	<u>(2,222,848)</u>
		General Receipts			
					10,903
					1,909,526
					13,661
					64,455
					<i>Total General Receipts</i>
					1,998,545
					(224,303)
					<i>Net Assets Beginning of Year</i>
					2,115,256
					<i>Net Assets End of Year</i>
					\$1,890,953

See accompanying notes to the basic financial statements

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,321,319	\$220,000	\$349,634	\$1,890,953
 Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	\$1,321,319			\$1,321,319
Special Revenue Funds			\$117,594	117,594
Capital Projects Funds		\$220,000	230,000	450,000
Permanent Funds			2,040	2,040
<i>Total Fund Balances</i>	<i>\$1,321,319</i>	<i>\$220,000</i>	<i>\$349,634</i>	<i>\$1,890,953</i>

See accompanying notes to the basic financial statements

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$1,909,526			\$1,909,526
Patron Fines and Fees	72,196			72,196
Contributions, Gifts and Donations	12,053			12,053
Earnings on Investments	13,621		\$40	13,661
Miscellaneous	71,255			71,255
<i>Total Receipts</i>	2,078,651		40	2,078,691
Disbursements				
Current:				
Library Services:				
Public Service and Programs	501,229			501,229
Collection Development and Processing	542,560		26,656	569,216
Support Services:				
Facilities Operation and Maintenance	350,512		1,000	351,512
Information Services	49,598			49,598
Business Administration	629,167			629,167
Capital Outlay	25,999			25,999
Debt Service:				
Principal Retirement		\$215,000		215,000
Interest and Fiscal Charges	18,273			18,273
<i>Total Disbursements</i>	2,117,338	215,000	27,656	2,359,994
<i>Excess of Disbursements Over Receipts</i>	(38,687)	(215,000)	(27,616)	(281,303)
Other Financing Sources (Uses)				
Transfers In	5,285	220,000	15,000	240,285
Transfers Out	(235,000)		(5,285)	(240,285)
Insurance Proceeds	57,000			57,000
<i>Total Other Financing Sources (Uses)</i>	(172,715)	220,000	9,715	57,000
<i>Net Change in Fund Balances</i>	(211,402)	5,000	(17,901)	(224,303)
<i>Fund Balances Beginning of Year</i>	1,532,721	215,000	367,535	2,115,256
<i>Fund Balances End of Year</i>	\$1,321,319	\$220,000	\$349,634	\$1,890,953

See accompanying notes to the basic financial statements

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENT AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Intergovernmental	\$1,845,291	\$1,845,291	\$1,909,526	\$64,235
Patron Fines and Fees	84,225	84,225	72,196	(12,029)
Contributions, Gifts and Donations	33,500	33,500	12,053	(21,447)
Earnings on Investments	20,024	20,024	13,621	(6,403)
Miscellaneous	112,500	112,500	71,255	(41,245)
<i>Total Receipts</i>	<u>2,095,540</u>	<u>2,095,540</u>	<u>2,078,651</u>	<u>(16,889)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	588,984	588,984	501,229	87,755
Collection Development and Processing	694,432	694,432	542,560	151,872
Support Services:				
Facilities Operation and Maintenance	409,453	484,453	350,512	133,941
Information Services	84,706	84,706	49,598	35,108
Business Administration	1,285,925	1,285,925	629,167	656,758
Capital Outlay	305,000	230,000	25,999	204,001
Debt Service:				
Interest	18,273	18,273	18,273	
Financing Fees and Costs	3,000	3,000		3,000
<i>Total Disbursements</i>	<u>3,389,773</u>	<u>3,389,773</u>	<u>2,117,338</u>	<u>1,272,435</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(1,294,233)</u>	<u>(1,294,233)</u>	<u>(38,687)</u>	<u>1,255,546</u>
Other Financing Sources (Uses)				
Transfers In	5,285	5,285	5,285	
Transfers Out	(235,000)	(235,000)	(235,000)	
Other Financing Sources - Insurance Proceeds			57,000	57,000
<i>Total Other Financing Sources (Uses)</i>	<u>(229,715)</u>	<u>(229,715)</u>	<u>(172,715)</u>	<u>57,000</u>
<i>Net Change in Fund Balance</i>	<u>(1,523,948)</u>	<u>(1,523,948)</u>	<u>(211,402)</u>	<u>1,312,546</u>
<i>Fund Balance Beginning of Year</i>	<u>1,532,721</u>	<u>1,532,721</u>	<u>1,532,721</u>	
<i>Fund Balance End of Year</i>	<u>\$8,773</u>	<u>\$8,773</u>	<u>\$1,321,319</u>	<u>\$1,312,546</u>

See accompanying notes to the basic financial statements

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**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

By 1973, the Findlay-Hancock County Public Library, Hancock County, Ohio (the Library), was organized as a county library under the laws of the State of Ohio. Originally, the Findlay Public Library was established on April 16, 1888, by an act of the Ohio General Assembly. The Library has its own Board of Trustees of seven members who are appointed by the Hancock County Commissioners and the Hancock County Court Common Pleas. 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 County Commissioners, although the County Commissioners serve 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 County Commissioners 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 County Commissioners except for the Library's current building bond. The Library makes interest and principle payments to the County Commissioners annually and the County Commissioners in turn make payments to the bond-holders.

The Friends of the Library 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. The Library's Friends organizations revenues and net assets do not exceed 5% of the Library's revenues. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the 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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

Government-wide Financial Statements

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

The statement of net assets presents the cash balance 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. Fiduciary funds are reported by type.

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.

Governmental Funds

Governmental funds are financed primarily from Library and Local Government Support funds, 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 is the Library's major governmental fund:

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 is the fund from which the annual principal payment on the library's bond is made.

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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

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 expenses and liabilities) 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 Clerk Treasurer. 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.

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 with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2010, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio these investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2010 amounted to \$13,621.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

G. 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.

H. 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.

I. 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.

J. 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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial 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 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 cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). No encumbrances were outstanding at year end.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$200 in undeposited cash on hand, which is included on the balance sheet of the Library as part of “Equity in Pooled Cash and Cash Equivalents.”

NOTE 5 - 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 2010, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Company	Employee Liability	\$1,000,000
Cincinnati Insurance Company	General Liability	2,000,000
Cincinnati Insurance Company	Umbrella Liability	2,000,000
Cincinnati Insurance Company	Property	5,372,063
Cincinnati Insurance Company	Personal Property	5,761,875
Cincinnati Insurance Company	Automobile	1,000,000
	Deductible	1,000
Cincinnati Insurance Company	Crime	50,000
Cincinnati Insurance Company	Electronic Data	285,000
National Flood Services	Flood Insurance	500,000
	Deductible	1,000
Southwest Business Corporation	Upstairs property	2,200,000

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.

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.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 6 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy 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 Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members contributed 10 percent of covered payroll. Members in the local divisions may participate in all three plans. For 2010, member and employer contribution rates were consistent across all three plans.

The Library's 2010 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$90,247, \$93,515, and \$88,695, respectively; 100 percent has been contributed for 2010, 2009, and 2008. There were no contributions to the Member-Directed Plan.

NOTE 7 - POSTEMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 7 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

Disclosures for the health care plan are presented 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 post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$51,635, \$69,254, and \$88,695, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 8 – LIBRARY LEASE OBLIGATION BONDS

In 1989, the Hancock County Board of Commissioners issued bonds to finance a portion of the cost of a library renovation project. The Board of Trustees signed an agreement to transfer the deed to the library property to the County Commissioners and to lease back the facilities from the Commissioners. The rental payments each year are equal to the annual principal and interest due on the bonds. Upon retirement of all outstanding principal of the bonds, the County will convey the deed back to the Board of Trustees.

The first payments were made in 1992 and the original amount of the bond was \$2,700,000. Effective April 26, 2002, the bonds were refinanced in order to receive a reduced interest rate. For the year 2011, the final debt service payment will be \$229,350 with \$220,000 to principal and the remainder to interest.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 – INTERFUND TRANSFERS/ADVANCES

The general fund transferred \$220,000 to the building and repair capital projects fund to fund the principal payment to the library bond. The general fund transferred \$15,000 to the Motor Vehicle Fund to continue building a balance for the purchase of a bookmobile several years into the future. The FEMA 419 Fund transferred \$5,285 to the General Fund to reimburse the General Fund for federal expenditures paid from there.

NOTE 10 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

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

Findlay-Hancock County Public Library
Hancock County
206 Broadway Street
Findlay, Ohio 45840

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 Findlay-Hancock County Public Library, Hancock County, Ohio (the Library), as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 10, 2011, wherein, we noted the Library uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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 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 opinion 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 intend this report solely for the information and use of the finance committee, management, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 10, 2011



Dave Yost • Auditor of State

FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY

HANCOCK 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
AUGUST 30, 2011