



**Auditor of State
Betty Montgomery**

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the finance committee, management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 16, 2004

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts				
Taxes	\$ 1,472,112			\$ 1,472,112
Patron Fines and Fees	20,429			20,429
Earnings on Investments	16,227		\$ 1,864	18,091
Contributions, Gifts and Donations	2,948			2,948
Miscellaneous Receipts	20,893			20,893
Total Cash Receipts	<u>1,532,609</u>		<u>1,864</u>	<u>1,534,473</u>
Cash Disbursements				
Current:				
Salaries	685,169			685,169
Employee Fringe Benefits	193,756			193,756
Purchased and Contracted Services	238,785	\$ 27,517		266,302
Library Materials and Information	181,122			181,122
Supplies	28,784			28,784
Capital Outlay	22,023			22,023
Other Expenses	4,229			4,229
Total Cash Disbursements	<u>1,353,868</u>	<u>27,517</u>		<u>1,381,385</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>178,741</u>	<u>(27,517)</u>	<u>1,864</u>	<u>153,088</u>
Other Financing Receipts/(Disbursements)				
Transfers-In		256,000		256,000
Transfers-Out	(256,000)			(256,000)
Total Other Financing Receipts/(Disbursements)	<u>(256,000)</u>	<u>256,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(77,259)	228,483	1,864	153,088
Fund Cash Balances, January 1	<u>554,205</u>	<u>801,937</u>	<u>170,279</u>	<u>1,526,421</u>
Fund Cash Balances, December 31	<u>\$ 476,946</u>	<u>\$ 1,030,420</u>	<u>\$ 172,143</u>	<u>\$ 1,679,509</u>
Reserves for Encumbrances, December 31	<u>\$ 76,154</u>			<u>\$ 76,154</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts				
Taxes	\$ 1,487,807			\$ 1,487,807
Patron Fines and Fees	19,818			19,818
Earnings on Investments	22,390		\$ 2,991	25,381
Contributions, Gifts and Donations	5,383			5,383
Miscellaneous Receipts	95,640			95,640
Total Cash Receipts	<u>1,631,038</u>		<u>2,991</u>	<u>1,634,029</u>
Cash Disbursements				
Current:				
Salaries	681,412			681,412
Employee Fringe Benefits	153,314			153,314
Purchased and Contracted Services	230,905			230,905
Library Materials and Information	204,589			204,589
Supplies	28,377			28,377
Capital Outlay	4,300			4,300
Other Expenses	11,305			11,305
Total Cash Disbursements	<u>1,314,202</u>			<u>1,314,202</u>
Total Cash Receipts Over Cash Disbursements	<u>316,836</u>		<u>2,991</u>	<u>319,827</u>
Other Financing Receipts/(Disbursements)				
Transfers-In		\$ 25,000		25,000
Transfers-Out	(25,000)			(25,000)
Total Other Financing Receipts/(Disbursements)	<u>(25,000)</u>	<u>25,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	291,836	25,000	2,991	319,827
Fund Cash Balances, January 1	<u>262,369</u>	<u>776,937</u>	<u>167,288</u>	<u>1,206,594</u>
Fund Cash Balances, December 31	<u>\$ 554,205</u>	<u>\$ 801,937</u>	<u>\$ 170,279</u>	<u>\$ 1,526,421</u>
Reserves for Encumbrances, December 31	<u>\$ 85,799</u>	<u>\$ 17,754</u>		<u>\$ 103,553</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Defiance Public Library, Defiance County (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a six-member Board of Trustees appointed by the Mayor of the City of Defiance. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Building Improvement Fund – This fund utilizes transfers from the General Fund and money from the Defiance County Commissioners to make improvements to the buildings.

3. Fiduciary Funds (Trust Funds)

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

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

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$ 26,086	\$ 80,853
Cash on Hand	245	245
Star Ohio	1,653,178	1,445,323
Total deposits and investments	<u>\$ 1,679,509</u>	<u>\$ 1,526,421</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,087,718	\$ 1,686,022	\$ 401,696
Capital Projects	826,937	27,517	799,420
Fiduciary	173,928		173,928
Total	<u>\$ 3,088,583</u>	<u>\$ 1,713,539</u>	<u>\$ 1,375,044</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,034,562	\$ 1,425,001	\$ 609,561
Capital Projects	1,558,998	17,754	1,541,244
Fiduciary	338,224		338,224
Total	<u>\$ 3,931,784</u>	<u>\$ 1,442,755</u>	<u>\$ 2,489,029</u>

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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.

5. RETIREMENT SYSTEM

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 16, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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DEFIANCE PUBLIC LIBRARY

DEFIANCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 6, 2004**