



**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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Mary Taylor, CPA Auditor of State

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 11, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the Board of Trustees:

We have audited the accompanying financial statements of Putnam District Library, Putnam County, (the Library) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter to document completeness of nonpayroll expenditures reported in the General Fund and Special Revenue Funds for January through August of 2006. This activity represents 19 and 77 percent of the General and Special Revenue Funds total financial statement expenditures for the year ended December 31, 2006.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter for the General Fund and Special Revenue Fund nonpayroll expenditures the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Putnam District Library, Putnam County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 11, 2008

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

	All Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
Cash Receipts:					
Library and Local Government Support	\$1,280,101				\$1,280,101
Intergovernmental	349				349
Patron Fines and Fees	15,483				15,483
Contributions, Gifts and Donations	18,301	\$415			18,716
Earnings on Investments	60,042	5,189	\$120		65,351
Miscellaneous	6,464				6,464
Total Cash Receipts	1,380,740	5,604	120		1,386,464
Cash Disbursements:					
Current:					
Salaries	796,346				796,346
Employee Fringe Benefits	227,549				227,549
Purchased and Contractual Services	223,521	5,438			228,959
Library Materials and Information	153,026				153,026
Supplies	46,194				46,194
Other	6,351				6,351
Capital Outlay	69,191		19,996		89,187
Total Cash Disbursements	1,522,178	5,438	19,996		1,547,612
Total Receipts Over/(Under) Disbursements	(141,438)	166	(19,876)		(161,148)
Fund Cash Balances, January 1	991,039	154,053	170,760	\$15,897	1,331,749
Fund Cash Balances, December 31	\$849,601	\$154,219	\$150,884	\$15,897	\$1,170,601
Reserve for Encumbrances, December 31	\$29,182				\$29,182

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

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

	All Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Debt Service	
Cash Receipts:					
Library and Local Government Support	\$1,277,519				1,277,519
Intergovernmental	2,622				2,622
Patron Fines and Fees	21,099				21,099
Contributions, Gifts and Donations	12,103				12,103
Earnings on Investments	51,227	\$4,347		\$1,375	56,949
Miscellaneous	154				154
Total Cash Receipts	1,364,724	4,347		1,375	1,370,446
Cash Disbursements:					
Current:					
Salaries	747,302				747,302
Employee Fringe Benefits	212,456				212,456
Purchased and Contractual Services	97,686	7,016			104,702
Library Materials and Information	169,342				169,342
Supplies	33,582				33,582
Other	6,585				6,585
Capital Outlay	66,928		\$2,939		69,867
Debt Service:					
Redemption of Principal				60,000	60,000
Interest and Other Fiscal Charges				3,675	3,675
Total Cash Disbursements	1,333,881	7,016	2,939	63,675	1,407,511
Total Receipts Over/(Under) Disbursements	30,843	(2,669)	(2,939)	(62,300)	(37,065)
Fund Cash Balances, January 1	960,196	156,722	173,699	78,197	1,368,814
Fund Cash Balances, December 31	\$991,039	\$154,053	\$170,760	\$15,897	\$1,331,749
Reserve for Encumbrances, December 31	\$15,152				\$15,152

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

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Putnam District Library, Putnam County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. Three of the Trustees are appointed by the Putnam County Court of Common Pleas. The remaining four Trustees are appointed by the Putnam County Commissioners. The Library provides the community with various educational and literary resources.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Lila M. Stauffer Bequest Fund – This fund received a bequest for the purpose of landscaping, ground maintenance, and expansion.

3. Debt Service Funds

These funds account for resources the Library accumulates to pay bond and note debt. The Library had the following significant Debt Service Fund:

Bond Retirement Fund – This fund receives an accumulation of resources for the retirement of the 1986 Library Improvement Bond Issue.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Funds:

Building and Repair Fund – This fund was used for building equipment repairs and replacement and building improvements.

Special Projects Fund – This fund was used to purchase a new vehicle for the Library.

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, function, and object level of control.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2007	2006
Cash on Hand	\$560	\$560
Demand deposits	257,420	49,358
Certificates of deposit	680,293	1,060,911
Total cash on hand and deposits	938,273	1,110,829
STAR Ohio	232,328	220,920
Total cash on hand, deposits and investments	1,170,601	1,331,749

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Library, or collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,451,850	\$1,380,740	(\$71,110)
Special Revenue	3,500	5,604	2,104
Capital Projects		120	120
Total	\$1,455,350	\$1,386,464	(\$68,886)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,381,621	\$1,551,360	(\$169,739)
Special Revenue	20,000	5,438	14,562
Capital Projects	15,000	19,996	(4,996)
Total	\$1,416,621	\$1,576,794	(\$160,173)

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

3. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,377,873	\$1,364,724	(\$13,149)
Special Revenue	3,500	4,347	847
Debt Service	3,500	1,375	(2,125)
Capital Projects	30,000		(30,000)
Total	\$1,414,873	\$1,370,446	(\$44,427)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,369,276	\$1,349,033	\$20,243
Special Revenue	5,000	7,016	(2,016)
Debt Service	63,675	63,675	
Capital Projects		2,939	(2,939)
Total	\$1,437,951	\$1,422,663	\$15,288

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Stauffer Trust Fund and the Building and Repair Fund by \$2,016 and \$2,939, respectively, for the year ended December 31, 2006. Budgetary expenditures also exceeded appropriations in the General Fund and the Special Projects Fund by \$169,739 and \$4,996, respectively, for the year ended December 31, 2007.

4. 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 of any additional revenues the Library receives.

5. DEBT

The Library had a general obligation bonds consisting of Library Improvement issues, issued in 1986 in the amount of \$1,205,000 by the Putnam County Commissioners on behalf of the Library. The General Obligation bonds were payable from tax levies on all taxable property in Putnam County. This debt was fully paid in 2006.

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

6. RETIREMENT SYSTEM

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

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

7. RISK MANAGEMENT

Putnam County is a member of the County Risk Sharing Authority, Inc. (CORSA) (the Pool). The Library is included on the County's policy, and consequently reimburses the County for their portion of the premium costs. The Pool assumes the risk of loss up to the Library's limits on the policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

- Comprehensive general liability;
- Automobile liability;
- Certain property insurance; and
- Public officials' errors and omissions liability insurance.

8. FLOOD DAMAGE

In August 2007, the Library's main branch facility, located in Ottawa, experienced extensive flood damage beyond the point of restoration. The Library was forced to move to a temporary facility. The Board of Directors is currently considering plans for a new main branch facility. In addition certain disbursement records (i.e. vouchers, check copies, vendor invoices and purchase orders) for expenditures made from January through August 2006 were destroyed by the flood and therefore not available for audit purposes.

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Mary Taylor, CPA

Auditor of State

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

Putnam District Library
Putnam County
525 North Thomas Street
Ottawa, Ohio 45875-1471

To the Board of Trustees:

We have audited the financial statements of the Putnam District Library, Putnam County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 11, 2008, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather 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 also were unable to obtain sufficient evidential matter to document completeness of nonpayroll expenditures reported in the General and Special Revenue Funds for January through August 2006. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the Library's management in a separate letter dated September 11, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item: 2007-001.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 11, 2008

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



Mary Taylor, CPA
Auditor of State

September 11, 2008

**PUTNAM DISTRICT LIBRARY
PUTNAM COUNTY**

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

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Administrative Code § 117-8-02 states a library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

The Library's level of control was set by at the fund, function and object level within each annual appropriation measure for 2006 and 2007. As stated above, spending at this level in excess of budgeted amounts is a violation of law.

The following funds had expenditures that exceeded appropriations.

<u>Year</u>	<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
As of December 31, 2006:				
	Stauffer Trust Fund	\$5,000	\$7,016	(\$2,016)
	Building and Repair Fund		2,939	(2,939)
As of December 31, 2007:				
	General Fund	1,381,621	1,551,360	(169,739)
	Special Projects Fund	15,000	19,996	(4,996)

Expenditures in excess of appropriations may result in deficit spending. We recommend expenditures and appropriations be frequently reviewed by the Board and the necessary adjustments be made to prevent expenditures from exceeding appropriations. These adjustments should be formally approved by the Board in the minutes and the Clerk-Treasurer should only make amendments to the computerized appropriations ledger based on these formally documented approvals.

Officials' Response:

We did not receive a response from Officials to the above finding.



Mary Taylor, CPA
Auditor of State

PUTNAM DISTRICT LIBRARY

PUTNAM 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
OCTOBER 9, 2008