



Mary Taylor, CPA
Auditor of State

DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

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

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

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Auditor of State

February 22, 2010

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Mary Taylor, CPA

Auditor of State

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 Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2009 and 2008. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, 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 Defiance Public Library, Defiance County, as of December 31, 2009 and 2008, 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 February 22, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

February 22, 2010

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>All Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$439,668			\$439,668
Library and Local Government Support	1,204,550			1,204,550
Intergovernmental	64,760			64,760
E-Rate	6,874			6,874
Patron Fines and Fees	30,120			30,120
Services Provided to Other Entities	320			320
Contributions, Gifts and Donations	7,173	\$39,122	\$25,550	71,845
Earnings on Investments	5,002	30		5,032
Miscellaneous	17,327			17,327
	<u>1,775,794</u>	<u>39,152</u>	<u>25,550</u>	<u>1,840,496</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries	818,114			818,114
Employee Fringe Benefits	212,141			212,141
Purchased and Contractual Services	292,100		68,013	360,113
Library Materials and Information	191,623			191,623
Supplies	37,505			37,505
Other	9,836			9,836
Capital Outlay	25,354		46,157	71,511
	<u>1,586,673</u>		<u>114,170</u>	<u>1,700,843</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	189,121	39,152	(88,620)	139,653
Fund Cash Balances, January 1	1,037,519	9,179	787,800	1,834,498
Fund Cash Balances, December 31	<u>\$1,226,640</u>	<u>\$48,331</u>	<u>\$699,180</u>	<u>\$1,974,151</u>
Reserve for Encumbrances, December 31	<u>\$5,239</u>		<u>\$18,098</u>	<u>\$23,337</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	All Governmental FundTypes			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$453,948			\$453,948
Library and Local Government Support	1,465,422			1,465,422
Intergovernmental	65,368			65,368
E-Rate	12,799			12,799
Patron Fines and Fees	29,941			29,941
Services Provided to Other Entities	447			447
Contributions, Gifts and Donations	10,702	\$5,000		15,702
Earnings on Investments	38,064	175		38,239
Miscellaneous	18,660			18,660
	<u>2,095,351</u>	<u>5,175</u>	<u></u>	<u>2,100,526</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Salaries	844,085			844,085
Employee Fringe Benefits	233,045			233,045
Purchased and Contractual Services	294,628	120		294,748
Library Materials and Information	231,831			231,831
Supplies	52,724			52,724
Other	9,946			9,946
Capital Outlay	77,714	3,261	\$98,350	179,325
	<u>1,743,973</u>	<u>3,381</u>	<u>98,350</u>	<u>1,845,704</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>351,378</u>	<u>1,794</u>	<u>(98,350)</u>	<u>254,822</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			50,000	50,000
Transfers-Out	(50,000)			(50,000)
	<u>(50,000)</u>	<u></u>	<u>50,000</u>	<u></u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	301,378	1,794	(48,350)	254,822
Fund Cash Balances, January 1	736,141	7,385	836,150	1,579,676
	<u>736,141</u>	<u>7,385</u>	<u>836,150</u>	<u>1,579,676</u>
Fund Cash Balances, December 31	<u>\$1,037,519</u>	<u>\$9,179</u>	<u>\$787,800</u>	<u>\$1,834,498</u>
Reserve for Encumbrances, December 31	\$17,956			\$17,956
	<u>\$17,956</u>	<u></u>	<u></u>	<u>\$17,956</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, 2009 AND 2008**

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 Defiance Public Library, Defiance County, (the Library) as a body corporate and politic. The Mayor of the City of Defiance appoints a six-member Board of Trustees to govern the Library. 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. Deposits 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:

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Bequest Fund (C. Feeney, N. Gary, J. George, P. Harmon, G. Hornish, and L. Waisner) – This fund is used for land or building improvements.

3. 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 utilizes transfers from the General Fund to make improvements to the buildings.

Permanent Improvement Fund – This fund utilizes transfers from the General Fund and community donations to make improvements to the buildings.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund and function level of control. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

A summary of 2008 and 2009 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.

2. Equity in Pooled Deposits and Investments

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$114,265	\$29,438
STAR Ohio	1,859,591	1,804,765
Cash on Hand	295	295
Total deposits and investments	<u>\$1,974,151</u>	<u>\$1,834,498</u>

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; 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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,715,701	\$1,775,794	\$60,093
Special Revenue	120	39,152	39,032
Capital Projects	30,000	25,550	(4,450)
Total	<u>\$1,745,821</u>	<u>\$1,840,496</u>	<u>\$94,675</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,733,657	\$1,591,912	\$141,745
Special Revenue	9,000		9,000
Capital Projects	787,800	132,268	655,532
Total	<u>\$2,530,457</u>	<u>\$1,724,180</u>	<u>\$806,277</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,074,543	\$2,095,351	\$20,808
Special Revenue	250	5,175	4,925
Capital Projects	62,000	50,000	(12,000)
Total	<u>\$2,136,793</u>	<u>\$2,150,526</u>	<u>\$13,733</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,420,803	\$1,811,929	\$608,874
Special Revenue	7,400	3,381	4,019
Capital Projects	890,880	98,350	792,530
Total	<u>\$3,319,083</u>	<u>\$1,913,660</u>	<u>\$1,405,423</u>

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

Property taxes are levied and assessed on a calendar year basis. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31, with the second half due the following June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. The State Board of Tax Equalization adjusts the tax rate for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the County. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received (other than public utility property) represents current year taxes. Taxes are levied after April 1, on the value as of December 31, of the preceding year. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory.

7. 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2009.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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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**

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

To the Board of Trustees:

We have audited the financial statements of Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 22, 2010, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated February 22, 2010.

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

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

Mary Taylor, CPA
Auditor of State

February 22, 2010

DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Monitoring of Financial Statements by Board	Yes	



Mary Taylor, CPA
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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
MARCH 11, 2010