



Dave Yost • Auditor of State

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

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Dave Yost • 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.

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Dave Yost
Auditor of State

November 27, 2012

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Dave Yost • 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, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010. 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 governments 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, 2011 and 2010 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, 2011 and 2011, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Defiance Public Library, Defiance County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, 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.

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

November 27, 2012

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$448,382		\$448,382
Public Library	1,186,174		1,186,174
Intergovernmental	65,381		65,381
E-Rate	11,059		11,059
Patron Fines and Fees	25,016		25,016
Contributions, Gifts and Donations	3,055	\$166,377	169,432
Earnings on Investments	4,245	1,231	5,476
Miscellaneous	3,857		3,857
<i>Total Cash Receipts</i>	<u>1,747,169</u>	<u>167,608</u>	<u>1,914,777</u>
Cash Disbursements			
Current:			
Library Services:			
Public Services and Programs	1,485,374		1,485,374
Support Services:			
Facilities Operation and Maintenance		113,632	113,632
Capital Outlay	69,735	735,822	805,557
<i>Total Cash Disbursements</i>	<u>1,555,109</u>	<u>849,454</u>	<u>2,404,563</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>192,060</u>	<u>(681,846)</u>	<u>(489,786)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	3,348		3,348
Transfers In		601,634	601,634
Transfers Out	(165,000)	(436,634)	(601,634)
Advances In		269,940	269,940
Advances Out		(269,940)	(269,940)
Other Financing Uses	(2,518)		(2,518)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(164,170)</u>	<u>165,000</u>	<u>830</u>
<i>Net Change in Fund Cash Balances</i>	27,890	(516,846)	(488,956)
<i>Fund Cash Balances, January 1</i>	<u>1,477,992</u>	<u>818,776</u>	<u>2,296,768</u>
Fund Cash Balances, December 31			
Nonspendable	87		87
Assigned	57,065	301,930	358,995
Unassigned	1,448,730		1,448,730
<i>Fund Cash Balances, December 31</i>	<u>\$1,505,882</u>	<u>\$301,930</u>	<u>\$1,807,812</u>

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$440,862			\$440,862
Library and Local Government Support	1,132,404			1,132,404
Intergovernmental	64,853		\$37,220	102,073
E-Rate	14,851			14,851
Patron Fines and Fees	26,452			26,452
Contributions, Gifts and Donations	14,774	\$101	211,644	226,519
Earnings on Investments	1,468	52	765	2,285
Miscellaneous	3,003			3,003
<i>Total Cash Receipts</i>	<u>1,698,667</u>	<u>153</u>	<u>249,629</u>	<u>1,948,449</u>
Cash Disbursements:				
Current:				
Salaries	677,054			677,054
Employee Fringe Benefits	174,678			174,678
Purchased and Contractual Services	327,295		146,434	473,729
Library Materials and Information	200,923			200,923
Supplies	35,253			35,253
Other	8,762			8,762
Capital Outlay	31,834		\$23,599	55,433
<i>Total Cash Disbursements</i>	<u>1,455,799</u>		<u>170,033</u>	<u>1,625,832</u>
<i>Excess of Receipts Over Disbursements</i>	242,868	153	79,596	322,617
Other Financing Receipts (Disbursements):				
Transfers-In			40,000	40,000
Transfers-Out	(40,000)			(40,000)
Advances-In			30,060	30,060
Advances-Out			(30,060)	(30,060)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(40,000)</u>		<u>40,000</u>	
<i>Net Change in Fund Cash Balances</i>	202,868	153	119,596	322,617
<i>Fund Cash Balances, January 1</i>	<u>1,226,640</u>	<u>48,331</u>	<u>699,180</u>	<u>1,974,151</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,429,508</u>	<u>\$48,484</u>	<u>\$818,776</u>	<u>\$2,296,768</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$7,315</u>		<u>\$16,254</u>	<u>\$23,569</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, 2011 AND 2010**

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, Ohio (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 deposits and common stock 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:

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

American Recovery and Reinvestment Act (ARRA) Fund – This fund utilizes transfers and advances from the Permanent Improvement Fund and an ARRA grant for the purpose of renovations to the main branch of the library.

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 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For 2011 fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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. Change in Accounting Principle and Restatement of Fund Balance

For 2011, the Library has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The District reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54.

Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at January 1, 2011
General	\$1,429,508	\$48,484	\$1,477,992
Special Revenue	48,484	(48,484)	

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. 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:

	2011	2010
Demand deposits	\$181,992	\$58,052
Certificates of deposit	803,368	800,352
Petty Cash	345	345
Total deposits and cash on hand	985,705	858,749
STAR Ohio	822,107	1,436,372
Common stock		1,647
Total investments	822,107	1,438,019
Total deposits and investments	\$1,807,812	\$2,296,768

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: In 2010, a financial institution's trust department held the Library's equity securities in book entry form in the Library's name.

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

4. Budgetary Activity

Due to the implementation of GASB Statement No. 54, for 2011 the bequest fund is included in the General Fund for financial reporting purposes and is included in the Special Revenue Funds on a budgetary basis. In 2010, the Board budgeted for advances, however in 2011 advances were not budgeted.

Budgetary activity for the years ending December 31, 2011 and 2010 follows

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,546,704	\$1,750,398	\$203,694
Special Revenue	100	119	19
Capital Projects	938,349	769,242	(169,107)
Total	\$2,485,153	\$2,519,759	\$34,606

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,907,876	\$1,757,408	\$150,468
Special Revenue	45,000	11,711	33,289
Capital Projects	1,531,152	1,340,184	190,968
Total	\$3,484,028	\$3,109,303	\$374,725

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,589,380	\$1,698,667	\$109,287
Special Revenue	120	153	33
Capital Projects	380,060	319,689	(60,371)
Total	\$1,969,560	\$2,018,509	\$48,949

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,660,649	\$1,503,114	\$157,535
Special Revenue	48,000		48,000
Capital Projects	1,014,273	216,347	797,926
Total	\$2,722,922	\$1,719,461	\$1,003,461

5. Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates 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 Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Grants-in-aid and Tax Receipts (Continued)

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

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 2011 and 2010, 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, 2011.

7. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



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*

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, Ohio (the Library), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 27, 2012, 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 and the Library adopted Governmental Accounting Standards Board Statement No. 54 in 2011. 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 did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated November 27, 2012.

We intend this report solely for the information and use of management, the finance committee, 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

November 27, 2012



Dave Yost • Auditor of State

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
DECEMBER 11, 2012**