



**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005



**Auditor of State
Betty Montgomery**

DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
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, 2005.....	5
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, 2004.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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 a February 2, 2005, 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 7, 2006

This page intentionally left blank.



**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, 2005 and 2004. 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.

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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

financial statements referred to above for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, 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 the Defiance Public Library, Defiance County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 7, 2006, 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.



Betty Montgomery
Auditor of State

September 7, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Governmental Grants-in-aid	\$1,489,460			\$1,489,460
Patron Fines and Fees	24,402			24,402
Earnings on Investments	38,988		\$604	39,592
Contributions, Gifts and Donations	1,897			1,897
Miscellaneous Receipts	23,307			23,307
Total Cash Receipts	<u>1,578,054</u>		<u>604</u>	<u>1,578,658</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	712,938			712,938
Employee Fringe Benefits	171,776			171,776
Purchased and Contracted Services	259,234	\$53,243		312,477
Library Materials and Information	209,320			209,320
Supplies	38,746			38,746
Other Expenses	1,000			1,000
Capital Outlay	49,805	299,425		349,230
Total Cash Disbursements	<u>1,442,819</u>	<u>352,668</u>		<u>1,795,487</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>135,235</u>	<u>(352,668)</u>	<u>604</u>	<u>(216,829)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		225,000		225,000
Transfers-Out	(225,000)			(225,000)
Total Other Financing Receipts/(Disbursements)	<u>(225,000)</u>	<u>225,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(89,765)	(127,668)	604	(216,829)
Fund Cash Balances, January 1	<u>526,160</u>	<u>851,951</u>	<u>176,315</u>	<u>1,554,426</u>
Fund Cash Balances, December 31	<u>\$436,395</u>	<u>\$724,283</u>	<u>\$176,919</u>	<u>\$1,337,597</u>
Reserves for Encumbrances, December 31	<u>\$71,189</u>			<u>\$71,189</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, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Governmental Grants-in-aid	\$1,481,313			\$1,481,313
Patron Fines and Fees	20,142			20,142
Earnings on Investments	18,669		\$2,172	20,841
Contributions, Gifts and Donations	5,501		2,000	7,501
Miscellaneous Receipts	21,274			21,274
Total Cash Receipts	<u>1,546,899</u>		<u>4,172</u>	<u>1,551,071</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	685,990			685,990
Employee Fringe Benefits	193,022			193,022
Purchased and Contracted Services	287,014	\$55,758		342,772
Library Materials and Information	223,768			223,768
Supplies	41,688			41,688
Other Expenses	4,320			4,320
Capital Outlay	36,883	147,711		184,594
Total Cash Disbursements	<u>1,472,685</u>	<u>203,469</u>		<u>1,676,154</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>74,214</u>	<u>(203,469)</u>	<u>4,172</u>	<u>(125,083)</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/(Under) Cash Disbursements and Other Financing Disbursements	49,214	(178,469)	4,172	(125,083)
Fund Cash Balances, January 1	<u>476,946</u>	<u>1,030,420</u>	<u>172,143</u>	<u>1,679,509</u>
Fund Cash Balances, December 31	<u>\$526,160</u>	<u>\$851,951</u>	<u>\$176,315</u>	<u>\$1,554,426</u>
Reserves for Encumbrances, December 31	<u>\$74,651</u>	<u>\$7,760</u>		<u>\$82,411</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, 2005 AND 2004**

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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificates of deposit at cost. 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:

1. General Fund

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

2. 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 fund.

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

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds 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 land or building improvements.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund and function level of control.

A summary of 2005 and 2004 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 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 follows:

	2005	2004
Demand deposits	\$771,415	\$65,761
Cash on Hand	295	245
Certificates of deposit	100,000	
Total deposits	871,710	66,006
STAR Ohio	465,887	1,488,420
Total deposits and investments	\$1,337,597	\$1,554,426

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 existing in physical or book-entry form.

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,553,121	\$1,578,054	\$24,933
Capital Projects	225,000	225,000	
Fiduciary	71	604	533
Total	\$1,778,192	\$1,803,658	\$25,466

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,079,282	\$1,739,008	\$340,274
Capital Projects	876,951	352,668	524,283
Fiduciary	176,385		176,385
Total	\$3,132,618	\$2,091,676	\$1,040,942

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,531,402	\$1,546,899	\$15,497
Capital Projects	25,000	25,000	
Fiduciary	3,650	4,172	522
Total	\$1,560,052	\$1,576,071	\$16,019

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,008,348	\$1,572,336	\$436,012
Capital Projects	1,055,420	211,229	844,191
Fiduciary	175,793		175,793
Total	\$3,239,561	\$1,783,565	\$1,455,996

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. GRANTS-IN-AID

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 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. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. 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. The Library has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**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 the Defiance Public Library, Defiance County, (the Library) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 7, 2006, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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 2005-001.

Defiance Public Library
Defiance County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance committee, management and the Board of Trustees. It is not intended for 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

September 7, 2006

**DEFIANCE PUBLIC LIBRARY
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding For Recovery Repaid Under Audit

Mary Helen Sheibley, Circulation Services Assistant, retired effective December 18, 2004, and received severance pay for one-half of her accrued, but unused sick leave balance. The union contract indicates that "Upon retirement, employees will be paid one-fourth of the accrued and unused sick leave credit."

This resulted in an overpayment of Ms. Sheibley's severance pay, as follows:

<u>Calculation</u>	<u>Accumulated Number of Sick Days</u>		<u>Sick Leave Days Allowed</u>		<u>Number of Days Allowed</u>		<u>Per Hourly Rate</u>		<u>Gross Severance</u>
Amount Paid	304.5	x	1/2	=	152.25	x	\$ 7.93	=	\$1,207.34
Allowed by Contract	304.5	x	1/4	=	76.125	x	\$ 7.93	=	<u>(603.67)</u>
Overpayment									<u><u>\$603.67</u></u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery is hereby issued for public money illegally expended against Mary Helen Sheibley, Former Circulation Services Assistant, Mary-Kay Reineke, Former Clerk-Treasurer, and Ms. Reineke's Bonding Company, the Cincinnati Insurance Company jointly and severally, in favor of the General Fund in the total amount of \$603.67. On August 22, 2006, Ms. Reineke repaid the Library for \$603.67 on receipt 11053.

Officials' Response

We did not receive a response from Officials to this finding.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
OCTOBER 3, 2006**