



**Mary Taylor, CPA**  
Auditor of State



**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Pemberville Public Library  
Wood County  
375 East Front Street, PO Box 809  
Pemberville, Ohio 43450-0809

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pemberville Public Library, Wood County, Ohio (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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. 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Pemberville Public Library, Wood County, Ohio, as of December 31, 2007, and the changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2007, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2009, 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.

Management's discussion and analysis not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

July 21, 2009

Pemberville Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the Pemberville Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2007, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

### **Highlights**

Key highlights for 2007 are as follows:

Net assets of the Library decreased \$123,933 because of decrease in Library and Local Government Support receipts and interest received on Certificates of Deposit.

The Library's general receipts are primarily state funds. These receipts represent 98 percent of the total cash received for Library's activities during the year. Property tax for 2007 changed very little compared to 2006.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, governmental activities are shown. The Library's basic services are reported here, including construction and renovation of Library facilities. Library and Local Government Support funds and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant funds are presented on the financial statements in separate columns. The Library's major funds are the General Fund and the Capital Project Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

### **The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 on a cash basis:



Pemberville Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

(Table 1)  
**Net Assets**

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Cash	\$395,196	\$519,129
<b>Net Assets</b>		
Restricted for:		
Capital Outlay	\$51,887	\$19,803
Unrestricted	343,309	499,326
Total Net Assets	\$395,196	\$519,129

As mentioned previously, net assets of Library activities decreased \$123,933 during 2007.

Table 2 reflects the changes in net assets in 2007. Since the library did not prepare financial statements in this format for 2006 a comparative analysis of library data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2007
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$8,756
General Receipts:	
Property Taxes	161,868
Unrestricted Gifts and Contributions	2,530
Grants and Entitlements not Restricted to Specific Programs	410,292
Earnings on Investments	17,218
Miscellaneous	4,449
Total General Receipts	596,357
Total Receipts	605,113
Disbursements:	
Library Services	367,667
Capital Outlay	256,308
Principal Retirement	88,000
Interest and Fiscal Charges	17,071
Total Disbursements	729,046
Decrease in Net Assets	(123,933)
Net Assets, January 1, 2007	519,129
Net Assets, December 31, 2007	\$395,196

General receipts represent 98 percent of the Library's total receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Pemberville Public Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2007  
 Unaudited

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Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for the other Library activities. These include the costs of the Director and Fiscal Officer as well as internal services such as payroll and purchasing.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services and capital outlay which account for 50 and 35 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007
	2007	2007
Library Services	\$367,667	\$358,911
Capital Outlay	256,308	256,308
Principal Retirement	88,000	88,000
Interest and Fiscal Charges	17,071	17,071
Total Expenses	\$729,046	\$720,290

**The Library's Funds**

Total governmental funds had receipts and other financing sources of \$813,736 and disbursements and other financing uses of \$937,669. The decrease in net assets was the result of decreased Library and Local Government Support and interest income in the General Fund and expenditures for the new construction and renovation of buildings paid from the Capital Project Fund.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements and other financing uses were budgeted at \$594,925 while actual disbursements and other financing uses were \$582,270. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$156,017 for 2007.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not currently keep track of its capital assets and infrastructure.

Pemberville Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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Debt

At December 31, 2007, the Library's outstanding debt included \$257,000 in tax anticipation notes issued for construction and renovations to library buildings and structures.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely on state funding to operate the Library, therefore, the Library board has cut hours that the libraries are open, limited staff, and is considering raising some fees.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ruth A Wagner, Fiscal Officer, Pemberville Public Library, Wood Co, 375 East Front Street, Pemberville, Ohio 43450.

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**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	<u><u>\$395,196</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$51,887
Unrestricted	<u>343,309</u>
<i>Total Net Assets</i>	<u><u>\$395,196</u></u>

See accompanying notes to the basic financial statements

**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007*

	Cash Disbursements	Charges for Services and Sales	Total
<b>Governmental Activities</b>			
Library Services	\$367,667	\$8,756	(\$358,911)
Capital Outlay	256,308		(\$256,308)
Debt Service:			
Principal	88,000		(88,000)
Interest	17,071		(17,071)
<i>Total Governmental Activities</i>	<u>\$729,046</u>	<u>\$8,756</u>	<u>(720,290)</u>
 <b>General Receipts</b>			
Property Taxes			161,868
Unrestricted Gifts and Contributions			2,530
Grants and Entitlements not Restricted to Specific Programs			410,292
Earnings on Investments			17,218
Miscellaneous			4,449
<i>Total General Receipts</i>			<u>596,357</u>
Change in Net Assets			(123,933)
<i>Net Assets Beginning of Year</i>			<u>519,129</u>
<i>Net Assets End of Year</i>			<u>\$395,196</u>

See accompanying notes to the basic financial statements

**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2007*

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>			
Cash and Cash Equivalents	\$343,309	\$51,887	\$395,196
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances		\$10,000	\$10,000
Unreserved:			
Undesignated, Reported in:			
General Fund	\$343,309		343,309
Capital Projects Funds	41,887	41,887	41,887
<i>Total Fund Balances</i>	<i>\$343,309</i>	<i>\$51,887</i>	<i>\$395,196</i>

See accompanying notes to the basic financial statements

**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007*

	<u>GENERAL</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
<b>Receipts</b>			
Property and Other Local Taxes		\$161,868	\$161,868
Library and Local Government Support	\$393,300		393,300
Intergovernmental		16,992	16,992
Patron, Fines and Fees	8,756		8,756
Contributions, Gifts and Donations	2,530		2,530
Earnings on Investments	17,218		17,218
Miscellaneous	4,449		4,449
Total Receipts	<u>426,253</u>	<u>178,860</u>	<u>605,113</u>
<b>Disbursements</b>			
Library Services	367,667		367,667
Capital Outlay	5,980	250,328	256,308
Debt Service:			
Principal Retirement		88,000	88,000
Interest and Fiscal Charges		17,071	17,071
Total Disbursements	<u>373,647</u>	<u>355,399</u>	<u>729,046</u>
Excess of Receipts Over (Under) Disbursements	<u>52,606</u>	<u>(176,539)</u>	<u>(123,933)</u>
<b>Other Financing Sources (Uses)</b>			
Advances In		208,623	208,623
Advances Out	<u>(208,623)</u>		<u>(208,623)</u>
Total Other Financing Sources (Uses)	<u>(208,623)</u>	<u>208,623</u>	
Net Change in Fund Balances	(156,017)	32,084	(123,933)
Fund Balances Beginning of Year	<u>499,326</u>	<u>19,803</u>	<u>519,129</u>
Fund Balances End of Year	<u>\$343,309</u>	<u>\$51,887</u>	<u>\$395,196</u>

See accompanying notes to the basic financial statements



**PEMBERVILLE PUBLIC LIBRARY  
WOOD COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Receipts</b>				
Library and Local Government Support	\$395,000	\$390,500	\$393,300	\$2,800
Patron, Fines and Fees	8,200	8,200	8,756	556
Contributions, Gifts and Donations	1,000	1,000	2,530	1,530
Earnings on Investments	6,000	6,000	17,218	11,218
Miscellaneous	4,300	4,300	4,449	149
<i>Total Receipts</i>	<u>414,500</u>	<u>410,000</u>	<u>426,253</u>	<u>16,253</u>
<b>Disbursements</b>				
Current:				
Library Services	441,250	378,250	367,667	10,583
Capital Outlay	115,000	8,000	5,980	2,020
<i>Total Disbursements</i>	<u>556,250</u>	<u>386,250</u>	<u>373,647</u>	<u>12,603</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(141,750)</u>	<u>23,750</u>	<u>52,606</u>	<u>28,856</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	(38,675)	(208,675)	(208,623)	(52)
<i>Net Change in Fund Balance</i>	(180,425)	(184,925)	(156,017)	28,856
<i>Fund Balance Beginning of Year</i>	489,421	489,421	489,421	
Prior Year Encumbrances Appropriated	9,905	9,905	9,905	
<i>Fund Balance End of Year</i>	<u>\$318,901</u>	<u>\$314,401</u>	<u>\$343,309</u>	<u>\$28,856</u>

See accompanying notes to the basic financial statements

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**Pemberville Public Library – Wood County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

**Note 1 – Description of the Library and Reporting Entity**

The Pemberville Public Library was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Library Trustees of seven members who are appointed by the Eastwood Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Eastwood Board of Education, although the Eastwood Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Eastwood Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Eastwood Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Eastwood Local School District.

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, the financial statements of the Pemberville Public Library have been prepared on a *cash* basis of accounting. This *cash* basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and cash equivalents balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

**Pemberville Public Library – Wood County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Improvement Fund - The capital improvement fund accounts for property tax money levied specifically for construction and renovation of three library buildings.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Board of Library Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Board of Library Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts of estimated resources at the time final appropriations were enacted by the Board of Library Trustees.

**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Library Trustees during the year.

**E. Cash**

Library records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Cash."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2007, investments were limited to nonnegotiable certificates of deposit. These investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2007 amounted to \$17,218 which includes \$2,261 assigned from other Library funds.

**F. Restricted Assets**

Cash and equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

**G. Inventory and Prepaid Items**

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

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

**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for grant funds used to furnish the library buildings.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Note 3 – Change in Financial Statement Presentation**

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in note 2. The Library now presents entity wide statements. The fund financial statements now present each major fund in a separate column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between budgetary basis and the cash basis.

**Note 5 – Deposits and Investments**

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 5 – Deposits and Investments (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Library's bank balance of \$395,196 was exposed to custodial credit risk because all deposits were covered by FDIC.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
 (Continued)

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Eastwood Local School District. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Library operations for the year ended December 31, 2007, was \$1 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$176,708,700	
Public Utility Property	137,420	
Tangible Personal Property	20,493,026	
<b>Total Assessed Values</b>	<b>\$197,339,146</b>	

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**Note 7 – Interfund Receivables/Payables**

Interfund balances at December 31, 2007, consisted of the following individual fund receivables and payables:

Due to General Fund from:  
 Capital Projects Fund                      \$208,623

The balance due to the General Fund includes loans made to provide working capital for projects. This amount has not been repaid.



**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 8 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Library contracted for insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Westfield Companies	Commercial Property	\$1,035,459
	General Liability	2,000,000
	Valuable Papers	257,500
	Vehicle	1,000,000
	Fidelity and Deposit	50,000
France and Associates	Errors and Omissions	100,000/300,000
	Library Officials Liability	100,000/300,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 9 - Defined Benefit Pension Plan**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three pension plans as follows:

1. The Traditional Plan is a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan is a defined contribution plan in which the members invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan is a cost sharing, multiple-employer defined benefit plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377 or [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

**Pemberville Public Library – Wood County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*  
(Continued)

**Note 9 - Defined Benefit Pension Plan (Continued)**

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Library paid two percent of the employees obligated share of their contribution. The 2007 employer contribution rate for state employers was 13.85% of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$15,820, \$17,213, and \$18,112 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**Note 10 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 358,804. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$8,938. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 11 – Debt**

The Eastwood Local School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 2006 the Library Board approved for the School District to place on the ballot, tax anticipation notes in the amount of \$389,000 for the construction and renovation of the current Library buildings. As of December 31, 2007 principal outstanding was \$257,000 of which \$87,000 was due within one year.



# 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*

Pemberville Public Library  
Wood County  
375 East Front Street, PO Box 809  
Pemberville, Ohio 43450-0809

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Pemberville Public Library, Wood County, Ohio (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 21, 2009, in which we disclosed in 2007 the Library began preparing its financial statements on the cash basis of accounting. 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 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 opinions 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.

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.

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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 July 21, 2009.

### **Compliance**

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 noncompliance matters that we reported to the Library's management in a separate letter dated July 21, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

July 21, 2009



Mary Taylor, CPA  
Auditor of State

**PEMBERVILLE PUBLIC LIBRARY**

**WOOD 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  
AUGUST 20, 2009**