



**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Wauseon Exempted School District Library
Fulton County
117 East Elm Street
Wauseon, Ohio 43567-1471

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 17, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wauseon Exempted School District Library
Fulton County
117 East Elm Street
Wauseon, Ohio 43567-1471

To the Board of Trustees:

We have audited the accompanying financial statements of Wauseon Exempted School District Library, Fulton County, (the Library) as of and for the years ended December 31, 2008 and 2007. 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has

elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, 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 Wauseon Exempted School District Library, Fulton County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 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.



Mary Taylor, CPA
Auditor of State

September 17, 2009

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	All Fund Types			Totals (Memorandum Only)
	General	Capital Projects	Permanent	
Cash Receipts:				
Property and Other Local Taxes	\$26,178			\$26,178
Library and Local Government Support	374,560			374,560
Intergovernmental	4,520			4,520
Patron Fines and Fees	12,882			12,882
Contributions, Gifts and Donations	5,370		\$5,200	10,570
Earnings on Investments	13,614	\$13,396	167	27,177
Miscellaneous	495			495
	437,619	13,396	5,367	456,382
Cash Disbursements:				
Current:				
Salaries	279,024			279,024
Employee Fringe Benefits	43,956			43,956
Purchased and Contractual Services	63,852			63,852
Library Materials and Information	51,063			51,063
Supplies	11,802			11,802
Other	4,015			4,015
Capital Outlay	8,789			8,789
	462,501			462,501
Total Cash Receipts Over/(Under) Cash Disbursements	(24,882)	13,396	5,367	(6,119)
Fund Cash Balances, January 1	440,156	470,575	5,991	916,722
Fund Cash Balances, December 31	\$415,274	\$483,971	\$11,358	\$910,603
Reserve for Encumbrances, December 31	\$1,363			\$1,363

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

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

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

	<u>All Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$26,553			\$26,553
Library and Local Government Support	379,854			379,854
Intergovernmental	4,205			4,205
Patron Fines and Fees	12,440			12,440
Contributions, Gifts and Donations	435		\$2,500	2,935
Earnings on Investments	34,847	\$17,812	161	52,820
Miscellaneous	1,368			1,368
	<u>459,702</u>	<u>17,812</u>	<u>2,661</u>	<u>480,175</u>
Cash Disbursements:				
Current:				
Salaries	255,789			255,789
Employee Fringe Benefits	39,466			39,466
Purchased and Contractual Services	77,268	6,591		83,859
Library Materials and Information	58,690			58,690
Supplies	9,165			9,165
Other	3,218			3,218
Capital Outlay	17,172	100,572		117,744
	<u>460,768</u>	<u>107,163</u>		<u>567,931</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(1,066)</u>	<u>(89,351)</u>	<u>2,661</u>	<u>(87,756)</u>
Fund Cash Balances, January 1	<u>441,222</u>	<u>559,926</u>	<u>3,330</u>	<u>1,004,478</u>
Fund Cash Balances, December 31	<u>\$440,156</u>	<u>\$470,575</u>	<u>\$5,991</u>	<u>\$916,722</u>
Reserve for Encumbrances, December 31	<u>\$9,498</u>			<u>\$9,498</u>

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

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Wauseon Exempted School District Library, Fulton County, (the Library) as a body corporate and politic. The Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Library values certificates of deposit at cost. Investments in STAR Ohio are valued at STAR Ohio's share price.

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. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project fund:

Building and Repair Fund – This fund receives funds from general operations and interest earned on investments. This fund is to be used to construct a new library, addition or for equipment purchases.

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (continued)

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant permanent funds:

James and Clara Zehr Endowment Fund – This fund receives funds from donations and interest earned on the principal investment. This fund is to be used to purchase large print and/or audio books.

Wauseon High School Class of 1958 Memorial Fund – This fund receives funds from donations and interest earned on the principal investment. This fund is to be used to purchase memorial books to honor deceased classmates.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund object level of control.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits and Investments (continued)

	<u>2008</u>	<u>2007</u>
Demand deposits	\$59,242	\$111,861
Certificates of deposit	688,345	645,916
Total deposits	<u>747,587</u>	<u>757,777</u>
STAR Ohio	163,016	158,945
Total deposits and investments	<u><u>\$910,603</u></u>	<u><u>\$916,722</u></u>

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$463,169	\$437,619	(\$25,550)
Capital Projects	18,000	13,396	(4,604)
Permanent	100	5,367	5,267
Total	<u><u>\$481,269</u></u>	<u><u>\$456,382</u></u>	<u><u>(\$24,887)</u></u>

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$903,325	\$463,864	\$439,461
Capital Projects	488,576		488,576
Permanent	291		291
Total	<u><u>\$1,392,192</u></u>	<u><u>\$463,864</u></u>	<u><u>\$928,328</u></u>

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$479,438	\$459,702	(\$19,736)
Capital Projects	20,000	17,812	(2,188)
Permanent	130	2,661	2,531
Total	\$499,568	\$480,175	(\$19,393)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$920,660	\$470,266	\$450,394
Capital Projects	579,926	107,163	472,763
Permanent	130		130
Total	\$1,500,716	\$577,429	\$923,287

4. Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

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.

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

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. 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 2008 and 2007, OPERS members contributed 9.5 and 10%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85 and 14%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

Wauseon Exempted School District Library
Fulton County
117 East Elm Street
Wauseon, Ohio 43567-1471

To the Board of Trustees:

We have audited the financial statements of Wauseon Exempted School District Library, Fulton County, (the Library) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 17, 2009 wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We do not believe the significant deficiency described above is a material weakness.

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



Mary Taylor, CPA
Auditor of State

September 17, 2009

**WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Significant Deficiency - Financial Reporting

The Library's 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. Receipts are recognized when received in cash rather than when earned.

The following transaction was handled differently than mentioned above and required adjustment to adhere to the Library's accounting basis:

The Library had certificates of deposit (CDs) at Farmers and Merchants State Bank during 2008 and 2007. Interest earned was credited by the bank to the balances of the certificates of deposit on a quarterly basis. The Library had not recorded any interest earned on these CDs to its financial statements. \$9,014 was adjusted into the Capital Projects funds as interest earnings in 2008 on the accompanying financial statements and in the Library's accounting system.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Library's financial statements are complete and accurate according to its accounting basis, the Library should recognize all receipts when received in cash. In this case, that criteria is met when the bank credits interest earnings on a CD.

Official's Response:

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



Mary Taylor, CPA
Auditor of State

WAUSEON EXEMPTED SCHOOL DISTRICT LIBRARY
FULTON 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 13, 2009