



Dave Yost • Auditor of State



**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Portsmouth Public Library  
Scioto County  
1120 Gallia Street  
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth Public Library, Scioto County, Ohio (the Library), as of and for the years ended December 31, 2010 and 2009, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth Public Library, Scioto County, Ohio, as of December 31, 2010 and 2009, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 27, 2011

Portsmouth Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010 - 2009

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This discussion and analysis of the Portsmouth Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010 - 2009, within the limitations of the Library's modified cash basis of 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 2009 and 2010 are as follows:

Net assets of governmental activities decreased \$250,759 or 20.8% for 2009 and increased \$136,835 or 14.3% for 2010 from 2009. The fund most affected by the decrease in cash and cash equivalents was the General Fund.

The Government's general receipts are primarily Public Library Fund (PLF) receipts. These receipts represent respectively 93 percent for 2010 and 95 percent for 2009 of the total cash received for governmental activities during the year.

The primary source of revenue for 2009 and 2010 for the Library was 1.97% of the state's general revenue fund called PLF.

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

As a result of using the modified 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 modified 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 2009 and 2010, within the limitations of modified 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 grants and contributions restricted to meeting the operational 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 modified 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 represent 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 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.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities. All of the Library's basic services are reported here, including library services, support services, capital outlay. State intergovernmental grants 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. The funds of the Library are all governmental.

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 governmental 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 governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Portsmouth Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010 - 2009

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**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2009 and 2010 compared to 2008 on a modified cash basis:

	Governmental Activities		
	2010	2009	2008
<b>Assets</b>			
Cash and Cash Equivalents	\$345,025	\$209,001	\$362,092
Investments	749,423	748,612	846,280
Total Assets	\$1,094,448	\$957,613	\$1,208,372
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$472,705	\$622,705	\$622,705
Other Purposes	21,827	22,584	22,207
Unrestricted	599,916	312,324	563,460
Total Net Assets	\$1,094,448	\$957,613	\$1,208,372

As mentioned previously, net assets of governmental activities decreased for 2009 and increased for 2010.

Table 2 reflects the changes in net assets for 2009 and 2010. Listed below is a comparative analysis of government-wide data.

Portsmouth Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010 - 2009

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

	Governmental Activities 2008	Governmental Activities 2009	Governmental Activities 2010
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$79,750	\$67,825	\$54,852
Operating Grants and Contributions	19,168	17,810	34,250
Capital Grants and Contributions			
Total Program Receipts	<u>98,918</u>	<u>85,635</u>	<u>89,102</u>
General Receipts:			
Intergovernmental	2,951,781	2,426,309	2,279,464
Unrestricted Gifts and Contributions	109,724	14,009	24,937
Interest	32,942	3,322	1,424
Miscellaneous	19,107	8,844	45,583
Total General Receipts	<u>3,113,554</u>	<u>2,452,484</u>	<u>2,351,408</u>
Total Receipts	<u>3,212,472</u>	<u>2,538,119</u>	<u>2,440,510</u>
Disbursements:			
Governmental Activities:			
General Library Services	3,330,182	2,759,966	2,256,218
Capital Outlay	208,339	28,912	47,457
Total Disbursements	<u>3,538,521</u>	<u>2,788,878</u>	<u>2,303,675</u>
Increase (Decrease) in Net Assets	(326,049)	(250,759)	136,835
Net Assets, January 1	<u>1,534,421</u>	<u>1,208,372</u>	<u>957,613</u>
Net Assets, December 31	<u>\$1,208,372</u>	<u>\$957,613</u>	<u>\$1,094,448</u>

Program receipts represent approximately 3.4 percent of total receipts in 2009 and 3.7 percent of total receipts in 2010 and are primarily comprised of restricted receipts such as contributions, patron fines, and fees, gifts, and donations.

General receipts represent 96.6 percent of the Library's total receipts in 2009 and 96.3 percent of the Library's total receipts in 2010, and of this amount, over 98 percent are intergovernmental receipts for 2009 and 96 percent for 2010. Miscellaneous receipts, unrestricted gifts and interest make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Library Services represent the overhead costs of running the Library and the support services provided for the other Library Services activities. These include the costs of public service programs, facility operation and maintenance, and library branch offices, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

Portsmouth Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010 - 2009

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**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 16, 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 next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants 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 the State Library and Local Government Support Fund and other receipts. 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2009	2009	2010	2010
Governmental Activities				
General Library Services	\$2,759,966	\$2,674,331	\$2,256,218	\$2,167,116
Capital Outlay	28,912	28,912	47,457	47,457
<b>Total Expenses</b>	<b>\$2,788,878</b>	<b>\$2,703,243</b>	<b>\$2,303,675</b>	<b>\$2,214,573</b>

The dependence upon intergovernmental receipts is apparent as over 96 percent in 2009 and 96 percent in 2010 of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts of \$2,538,119 and disbursements of \$2,788,878 for 2009 and had receipts of \$2,440,510 and disbursements of \$2,303,675 for 2010. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$251,136 in 2009 as a result of the budget cuts in the PLF. In 2010, there was an increase of \$287,592 as the result of reduced spending.

General Fund disbursements were more than receipts by \$251,136 in 2009 and in 2010 receipts were more than disbursements by \$287,592. In light of the continued uncertainty regarding state funding for public libraries, it was the recommendation of the Audit, Budget, and Expenditure committee and the administration that making reductions in disbursements was preferable to requesting additional funds from the taxpayers. Several reductions were implemented for 2009 including reducing purchases of new materials, revising contracts for services, and reducing health care benefits for employees. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if state funding for public libraries remains stagnant or experiences additional reductions.

### **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.

During 2009 and 2010, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were less than original budgeted receipts in 2009 due to reduced PLF funding and were more than original budgeted receipts in 2010 due to unexpected increases in PLF, Patron Fines and Fees and Contributions, Gifts, and Donations from local area foundations and benefactors. There was no difference between final budgeted receipts and actual receipts in either year.

In 2010 final General Fund disbursements were budgeted at \$2,650,122 while actual General Fund disbursements were \$2,650,122. In 2009, final General Fund disbursements were budgeted at \$3,051,837 while actual General Fund disbursements were \$3,051,837. Although receipts failed to live up to original expectations in 2009, appropriations were not reduced. The Library kept spending very close to budgeted amounts as demonstrated by the original budget amounts as compared to the final budgeted amounts.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

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

#### **Current Issues**

As the preceding information shows, the Library heavily depends on intergovernmental monies. Compared to 2008, the library showed a decrease of 22% in the PLF in 2009 as based on the PLF formula. Under permanent law, the PLF is funded by 2.22% of state General Revenue Fund (GRF) tax revenues. However, a temporary reduction in the PLF funding percentage was enacted in the state's fiscal year 2010-2011 operating budget: during the August 2009 through June 2011 period, the PLF receives 1.97% of state GRF tax revenues. The Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

### **Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, 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 Linda Woods-Jones, Fiscal Officer, Portsmouth Public Library, 1220 Gallia Street, Portsmouth, Ohio 45662, or e-mail at [lwoods@yourpl.org](mailto:lwoods@yourpl.org).

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$345,025
Investments	<u>749,423</u>
<i>Total Assets</i>	<u><u>\$1,094,448</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$472,705
Other Purposes	21,827
Unrestricted	<u>599,916</u>
<i>Total Net Assets</i>	<u><u>\$1,094,448</u></u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2010*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$ 2,256,218	\$ 54,852	\$ 34,250	\$ (2,167,116)
Capital Outlay	47,457			(47,457)
<i>Total Governmental Activities</i>	<u>\$2,303,675</u>	<u>\$54,852</u>	<u>\$34,250</u>	(2,214,573)
		<b>General Receipts</b>		
		Intergovernmental		2,279,464
		Unrestricted Gifts and Contributions		24,937
		Earning on Investments		1,424
		Miscellaneous		45,583
		<i>Total General Receipts</i>		<u>2,351,408</u>
		Change in Net Assets		136,835
		<i>Net Assets Beginning of Year</i>		<u>957,613</u>
		<i>Net Assets End of Year</i>		<u>\$1,094,448</u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2010*

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$323,198		\$21,827	\$345,025
Investments	276,718	\$472,705		749,423
<i>Total Assets</i>	<u>\$599,916</u>	<u>\$472,705</u>	<u>\$21,827</u>	<u>\$1,094,448</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$381,851			\$381,851
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	218,065			218,065
Special Revenue Funds			\$21,827	21,827
Capital Project Funds		\$472,705		472,705
<i>Total Fund Balances</i>	<u>\$599,916</u>	<u>\$472,705</u>	<u>\$21,827</u>	<u>\$1,094,448</u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library  
Scioto County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010*

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$2,279,464			\$2,279,464
Patron Fines and Fees	54,852			54,852
Contributions, Gifts and Donations	24,937		\$34,250	59,187
Earnings on Investments	1,027		397	1,424
Miscellaneous	45,583			45,583
<i>Total Receipts</i>	<u>2,405,863</u>	<u>\$0</u>	<u>34,647</u>	<u>2,440,510</u>
<b>Disbursements</b>				
General Library Services	2,250,064		6,154	2,256,218
Capital Outlay	18,207		29,250	47,457
<i>Total Disbursements</i>	<u>2,268,271</u>	<u>0</u>	<u>35,404</u>	<u>2,303,675</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>137,592</u>	<u>0</u>	<u>(757)</u>	<u>136,835</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	150,000			150,000
Transfers Out		(150,000)		(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>150,000</u>	<u>(150,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	287,592	(150,000)	(757)	136,835
<i>Fund Balances Beginning of Year</i>	<u>312,324</u>	<u>622,705</u>	<u>22,584</u>	<u>957,613</u>
<i>Fund Balances End of Year</i>	<u>\$599,916</u>	<u>\$472,705</u>	<u>\$21,827</u>	<u>\$1,094,448</u>

See accompanying notes to the basic financial statements



**Portsmouth Public Library**  
**Scioto County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2010*

See G.1.2 for testing	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental (LLGSF)	\$2,092,646	\$2,279,464	\$2,279,464	\$0
Patron Fines and Fees	67,000	54,852	54,852	0
Contributions, Gifts and Donations	10,000	24,937	24,937	0
Earnings on Investments	3,000	1,027	1,027	0
Miscellaneous	4,000	45,583	45,583	0
<i>Total receipts</i>	<u>2,176,646</u>	<u>2,405,863</u>	<u>2,405,863</u>	<u>0</u>
<b>Disbursements</b>				
General Library Services	2,556,518	2,587,013	2,587,013	0
Capital Outley	50,989	63,109	63,109	0
<i>Total Disbursements</i>	<u>2,607,507</u>	<u>2,650,122</u>	<u>2,650,122</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(430,861)</u>	<u>(244,259)</u>	<u>(244,259)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	150,000	150,000	150,000	0
<i>Total Other Financing Sources (Uses)</i>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(280,861)	(94,259)	(94,259)	0
<i>Fund Balance Beginning of Year</i>	31,463	31,463	31,463	0
Prior Year Encumbrances Appropriated	280,861	280,861	280,861	0
<i>Fund Balance End of Year</i>	<u>\$31,463</u>	<u>\$218,065</u>	<u>\$218,065</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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**Portsmouth Public Library**  
**Scioto County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$209,001
Investments	<u>748,612</u>
<i>Total Assets</i>	<u><u>\$957,613</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$622,705
Other Purposes	22,584
Unrestricted	<u>312,324</u>
<i>Total Net Assets</i>	<u><u>\$957,613</u></u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2009*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$ 2,759,966	\$ 67,825	\$ 17,810	\$ (2,674,331)
Capital Outlay	28,912			(28,912)
<i>Total Governmental Activities</i>	<u>\$2,788,878</u>	<u>\$67,825</u>	<u>\$17,810</u>	(2,703,243)
		<b>General Receipts</b>		
				2,426,309
				14,009
				3,322
				8,844
				<u>2,452,484</u>
				Change in Net Assets (250,759)
				<i>Net Assets Beginning of Year</i> <u>1,208,372</u>
				<i>Net Assets End of Year</i> <u><u>\$957,613</u></u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	<u>General</u>	<u>Building and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$186,417		\$22,584	\$209,001
Investments	125,907	\$622,705		748,612
<i>Total Assets</i>	<u>\$312,324</u>	<u>\$622,705</u>	<u>\$22,584</u>	<u>\$957,613</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$280,861		\$1,154	\$282,015
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	31,463			31,463
Special Revenue Funds			21,430	21,430
Capital Project Funds		\$622,705		622,705
<i>Total Fund Balances</i>	<u>\$312,324</u>	<u>\$622,705</u>	<u>\$22,584</u>	<u>\$957,613</u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library  
Scioto County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2009*

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Intergovernmental	\$2,426,309			\$2,426,309
Patron Fines and Fees	67,825			67,825
Contributions, Gifts and Donations	14,009		\$17,810	31,819
Earnings on Investments	2,853		469	3,322
Miscellaneous	8,844			8,844
<i>Total Receipts</i>	<u>2,519,840</u>	<u>\$0</u>	<u>18,279</u>	<u>2,538,119</u>
<b>Disbursements</b>				
General Library Services	2,742,064		17,902	2,759,966
Capital Outlay	28,912			28,912
<i>Total Disbursements</i>	<u>2,770,976</u>	<u>0</u>	<u>17,902</u>	<u>2,788,878</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(251,136)</u>	<u>0</u>	<u>377</u>	<u>(250,759)</u>
<i>Fund Balances Beginning of Year</i>	<u>563,460</u>	<u>622,705</u>	<u>22,207</u>	<u>1,208,372</u>
<i>Fund Balances End of Year</i>	<u><u>\$312,324</u></u>	<u><u>\$622,705</u></u>	<u><u>\$22,584</u></u>	<u><u>\$957,613</u></u>

See accompanying notes to the basic financial statements

**Portsmouth Public Library**  
**Scioto County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental (LLGSF)	\$2,749,849	\$2,426,309	\$2,426,309	\$0
Patron Fines and Fees	78,000	67,825	67,825	0
Contributions, Gifts and Donations	3,000	14,009	14,009	0
Earnings on Investments	20,000	2,853	2,853	0
Miscellaneous	4,000	8,844	8,844	0
<i>Total receipts</i>	<u>2,854,849</u>	<u>2,519,840</u>	<u>2,519,840</u>	<u>0</u>
<b>Disbursements</b>				
General Library Services	3,292,146	3,002,062	3,002,062	0
Capital Outley	87,164	49,775	49,775	0
<i>Total Disbursements</i>	<u>3,379,310</u>	<u>3,051,837</u>	<u>3,051,837</u>	<u>0</u>
Excess of Receipts Over (Under) Disbursements	<u>(524,461)</u>	<u>(531,997)</u>	<u>(531,997)</u>	<u>0</u>
Fund Balance Beginning of Year	38,999	38,999	38,999	0
Prior Year Encumbrances Appropriated	<u>524,461</u>	<u>524,461</u>	<u>524,461</u>	<u>0</u>
Fund Balance End of Year	<u>\$38,999</u>	<u>\$31,463</u>	<u>\$31,463</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

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**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The constitution and laws of the State of Ohio establish the rights and privileges of the Portsmouth Public Library, Scioto County (the Library), as a body corporate and politic. The Mayor of the City of Portsmouth appoints a six-member Board of Trustees to govern the Library up to June 2, 2010. On June 3, 2010 the Portsmouth Public Library officially became a county district library. As a county district library the management of the board of library trustees consists of seven members. Three board members shall be appointed by the judges of the Court of Common Pleas and four board members shall be appointed by the board of county commissioners of the county. 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.

**Reporting Entity**

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

A reporting entity is comprised of the primary government, component units, and other organizations included to ensure that the basic financial statements of the Library are not misleading. The primary government consists of all funds of the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of debt or the levying of their taxes. The Library has no component units.

**Fund Accounting**

The Library's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Library functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

*General Fund*

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

*Capital Projects - Building and Repair Fund*

The Building and Repair Fund is used to account for the construction and refurbishment projects of the Library.

The other governmental funds of the Library account for grants and other resources, whose use is restricted to a particular purpose.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The Library's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that 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. These statements include all financial activities of the Library.

The statement of net assets-modified cash basis presents the cash basis financial condition of governmental activities of the Library at year-end. The statement of activities-modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the Library's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges for services and grants and contributions that are restricted to meeting the operational requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the Library. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the Library.

**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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Basis of Accounting**

The Library prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the modified cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Cash Receipts – Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the year in which the resources are received.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. On a modified cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**Cash Disbursements**

In the modified cash basis of accounting, disbursements are recognized at the time payments are made.

**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, function, and object level of control.

**Cash and Cash Equivalents 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 the certificate of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded as share values reported by the mutual funds.

**Capital Assets and Depreciation**

Capital assets (fixed assets) acquired or constructed for the Library are recorded as disbursements at the time of acquisition. However, under the modified cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

**Compensated Absences**

Vacation and sick leave benefits are not accrued under the modified cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

**Net Cash Assets**

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves**

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. In the government-wide financial statements transfers within governmental activities are eliminated.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 2 - 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.

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 (STAROhio).

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.

At year end, the Library had \$50 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" for December 31, 2010 and December 31, 2009.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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.

As of December 31, 2009, the Library had \$748,612 invested in STAROhio and as of December 31, 2010, the Library had \$749,423 invested in STAROhio.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 3- 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 – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year ended December 31, 2009 (budget basis) amounted to \$280,861 for the General Fund, and encumbrances outstanding at year ended December 31, 2010 (budget basis) amounted to \$381,851 for the General Fund.

**NOTE 4 - GRANTS-IN-AID**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). In 2009, the State allocated PLF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. In 2009 and 2010, Ohio's public libraries were funded through 1.97% of the state's general revenue fund. 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.

**NOTE 5 - RISK MANAGEMENT**

**Commercial Insurance**

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 2009 and 2010, the Library contracted with several companies for various types of insurance coverage as follows:

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 5 - RISK MANAGEMENT (Continued)**

Company	Type of Coverage	Amount of Coverage
Cincinnati Insurance Co.	Commercial Property	\$ 9,225,000
	General Liability	1,000,000
	Umbrella Liability	6,000,000
	Commercial Crime	2,500
	Inland Marine	
	Electronic Data & Data Proc.	248,000
	Valuable Papers & Records	4,250,000
	Vehicle (4)	1,000,000
France & Associates	Errors and Omissions	1,000,000-3,000,000
France & Associates	Library Board Members	1,000,000-3,000,000
American Bankers Insurance Co.	Flood Insurance	310,800

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 6 – DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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.

For the years ended December 31, 2009 and 2010, the members of all three plans were required to contribute 10 percent, respectively, of their annual covered salaries. The Library's contribution rate for pension benefits for 2009 and 2010 was 14 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were \$161,106 and \$200,243, and \$220,306 respectively; the full amount has been contributed for 2010, 2009 and 2008.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 7 – POSTEMPLOYMENT BENEFITS**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010 and 2009 local government employers contributed 14 percent, respectively, of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. In 2009, the portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.3% from April 1 through December 31, 2009. In 2010, the portion of employer contributions allocated to health care for members in the *traditional plan* was 5.5% from January 1 through February 28, 2010 and 5% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the *combined plan* was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

The Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contribution allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009 and 2008 were \$8,216, \$11,544 and \$15,421 respectively. 100 percent has been contributed for 2010, 2009 and 2008.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**NOTE 8 – JOINTLY GOVERNED ORGANIZATION**

The Southeast Regional Library System (SERLS) is an area library service organization created and governed according to the provisions of Section 3375.70 through 3375.73, of the Ohio Revised Code. SERLS is a multi-type library consortium serving the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington. SERLS' Board of Trustees consists of appointees from the member Libraries. The Portsmouth Public Library's control over budgeting and financing of SERLS is limited to its voting authority and its representation of SERLS' Board of Trustees.

**PORTSMOUTH PUBLIC LIBRARY  
SCIOTO COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Library pays an annual fee as well as service fees to Southeast Regional Library System (SERLS), a jointly governed organization, of which the Library is a member. SERLS provides continuing education, resource sharing and innovative services for which the member libraries are billed each month. The Library paid \$2,325 to SERLS for annual dues and fees for services provided in 2009 and \$550 to SERLS for annual dues and fees for services provided in 2010. SERLS restructured the dues and all libraries received a break for 2010-2011 membership. SERLS fees are based on services provided to libraries and they wanted to lower the dues to try and bring more libraries in to the SERLS.





# Dave Yost • Auditor of State

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

Portsmouth Public Library  
Scioto County  
1120 Gallia Street  
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portsmouth Public Library, Scioto County, Ohio (the Library), as of and for the years ended December 31, 2010 and 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 27, 2011 wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management, and others within the Library. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

May 27, 2011



# Dave Yost • Auditor of State

**PORTSMOUTH PUBLIC LIBRARY**

**SCIOTO 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  
JUNE 14, 2011**