



Dave Yost • Auditor of State

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Birchard Public Library
Sandusky County
423 Croghan Street
Fremont, Ohio 43420-2499

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 Birchard Public Library, Sandusky County, Ohio (the Library), as of and for the year ended December 31, 2011, 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 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, each major fund, and the aggregate remaining fund information of the Birchard Public Library, Sandusky County, Ohio, as of December 31, 2010, and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

July 17, 2012

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

This discussion and analysis of the Birchard Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2011, within the limitations of the Library's 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 2011 are as follows:

- Net assets of governmental activities decreased \$317,583, or 8.75 percent, from the prior year. The fund most affected by the decrease in cash was the General Fund.
- The Library's general receipts are primarily Public Library Funds from State general tax revenue. The revenue from PLF was \$62,906 higher in 2011 than in 2010. These receipts represent \$1,393,027 and 94.56 percent of the total cash received for governmental activities during the year.
- Voters approved a 1 mill tax levy in May.
- The Library has no outstanding long-term liabilities.

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 Library-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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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 Birchard Public Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include 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 nonfinancial factors, such as the condition of the Library's capital assets, the extent of the Library's debt obligations and the reliance on non-local financial resources for operations.

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

Governmental activities. All of the Library's services and capital outlay is reported here. Public Library Funds from the State finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Birchard Public 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 activities and to help demonstrate that money 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 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 nonmajor 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 has two major governmental funds; the General Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

The Birchard Public Library as a Whole

Table 1 provides a summary of the Library's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Cash and Cash Equivalents	\$3,310,454	\$3,628,037
Net Assets		
Restricted for:		
Capital Outlay	1,760,264	1,895,180
Other Purposes	131,920	237,392
Unrestricted	1,418,270	1,495,465
Total Net Assets	\$3,310,454	\$3,628,037

As mentioned previously, net assets of governmental activities decreased \$317,583 or 8.75 percent during 2011. The primary reason for the decrease in cash balances was disbursements exceeding receipts during 2011.

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010 for governmental activities:

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Services	\$32,434	\$34,614
Operating Grants and Contributions	7,706	5,685
Capital Grants and Contributions	2,765	16,665
Total Program Receipts	42,905	56,964
General Receipts:		
Intergovernmental	1,401,018	1,330,121
Unrestricted Gifts & Contributions	7,665	6,619
Earnings on Investments	12,818	26,485
Miscellaneous	8,692	10,333
Total General Receipts	1,430,193	1,373,558
Total Receipts	1,473,098	1,430,522
Disbursements:		
Library Services	1,738,656	1,817,958
Capital Outlay	52,025	35,039
Total Disbursements	1,790,681	1,852,997
Decrease in Net Assets	(317,583)	(422,475)
Net Assets, January 1	3,628,037	4,050,512
Net Assets, December 31	\$3,310,454	\$3,628,037

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Program receipts represent only 2.91 percent of total receipts and are primarily comprised of charges for services, gifts, donations, and grants toward specific programs or expenses.

General receipts represent 97.09 percent of the Library's total receipts, and of this amount, over 97 percent is Public Library Fund revenue. Other receipts are relatively insignificant and are somewhat unpredictable revenue sources.

Disbursements for the Library represent the cost of providing the library services. These include payroll costs, various supplies, building maintenance and purchasing books and aides for the collection.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists Library services and capital outlay. The next column identifies the costs of providing these services. The next three columns of the Statement entitled "Program Cash Receipts" identify charges for services, gifts, donations, and grants received by the Library that must be used to provide a specific service. The Net Receipt (Disbursements) 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 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Library Services	\$1,738,656	\$1,698,516	\$1,817,958	\$1,777,659
Capital Outlay	52,025	49,260	35,039	18,374
Total Expenses	\$1,790,681	\$1,747,776	\$1,852,997	\$1,796,033

The dependence upon Public Library Funds is apparent, as over 97.60 percent of governmental activities are supported through general receipts.

In 2010, the Library received \$15,000 from the Birchard Library Association Foundation for the replacement of 20 patron computers, resulting in a lower net cost of capital expenditures as compared to 2011.

In 2011, the Library purchased a new delivery vehicle from its Bookmobile Replacement Fund.

The Birchard Public Library's Funds

Total governmental funds had receipts of \$1,473,098 and disbursements of \$1,790,681. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$182,667 due to disbursements exceeding receipts during 2011

General Fund receipts were less than disbursements by \$182,667 indicating that the General Fund is in a deficit spending situation, even though there was a 3.36 percent reduction in disbursements and a 2.98 percent increase in receipts from 2010 to 2011. With the passage of the 1 mill tax levy in May, the Library should receive an estimated \$897,022 of local tax revenue in subsequent years.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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 2011, original budgeted receipts were \$1,108,540 and final budgeted receipts and other sources were \$1,630,369. The Library amended its General Fund budget several times to reflect a change in estimated PLF revenue, a transfer from the Building and Repair Fund to the General Fund, and an increase in gifts received. Final budgeted receipts were higher than original budgeted receipts, even though less revenue was received from a Federal grant than expected. PLF revenues were higher than expected, even with the revised mid-year estimate.

Final disbursements were budgeted at \$1,865,088, while actual disbursements were \$1,702,796. The primary reason for this difference was the Library's actual disbursements for payroll and benefits were less than the budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2011, the Library had no outstanding long-term debt.

Current Issues

The Library began implementing portions of the strategic plan initiated in 2010 and adopted in 2011. The Library began offering Every Citizen Online computer instruction to the public at all locations; a portion of the cost of this instruction and the laptops used in the mobile lab was paid through a Federal ARRA grant. The Library Trustees voted to increase the salary scale by 2.5% in 2012, after two years of no increases.

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 Suzanne Wiersma, Fiscal Officer, Birchard Public Library of Sandusky County, 423 Croghan Street, Fremont, OH 43420.

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**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,310,454</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,760,264
Other Purposes	131,920
Unrestricted	<u>1,418,270</u>
Total Net Assets	<u><u>\$3,310,454</u></u>

See accompanying notes to the basic financial statements

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services	\$1,738,656	\$32,434	\$7,706		(\$1,698,516)
Capital Outlay	52,025			\$2,765	(49,260)
Total Governmental Activities	\$1,790,681	\$32,434	\$7,706	\$2,765	(1,747,776)
General Receipts:					
Intergovernmental					1,401,018
Unrestricted Gifts and Contributions					7,665
Earnings on Investments					12,818
Miscellaneous					8,692
Total General Receipts					1,430,193
Change in Net Assets					(317,583)
Net Assets Beginning of Year					3,628,037
Net Assets End of Year					\$3,310,454

See accompanying notes to the basic financial statements

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$1,550,190</u>	<u>\$1,745,605</u>	<u>\$14,659</u>	<u>\$3,310,454</u>
Fund Balances				
Restricted	\$131,921			\$131,921
Assigned	1,239,074	\$1,745,605	\$14,659	2,999,338
Unassigned	<u>179,195</u>			<u>179,195</u>
Total Fund Balances	<u>\$1,550,190</u>	<u>\$1,745,605</u>	<u>\$14,659</u>	<u>\$3,310,454</u>

See accompanying notes to the basic financial statements

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$1,401,018			\$1,401,018
Patron Fines and Fees	32,434			32,434
Contributions, Gifts and Donations	13,245			13,245
Earnings on Investments	12,818			12,818
Miscellaneous	13,583			13,583
Total Receipts	<u>1,473,098</u>			<u>1,473,098</u>
Disbursements				
Library Services	1,731,359	\$6,629	\$668	1,738,656
Capital Outlay	24,406		27,619	52,025
Total Disbursements	<u>1,755,765</u>	<u>6,629</u>	<u>28,287</u>	<u>1,790,681</u>
Excess of Disbursements Over Receipts	<u>(282,667)</u>	<u>(6,629)</u>	<u>(28,287)</u>	<u>(317,583)</u>
Other Financing Sources (Uses)				
Transfers In	100,000			100,000
Transfers Out		(100,000)		(100,000)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(100,000)</u>		
Net Change in Fund Balances	<u>(182,667)</u>	<u>(106,629)</u>	<u>(28,287)</u>	<u>(317,583)</u>
Fund Balances Beginning of Year	<u>1,732,857</u>	<u>1,852,234</u>	<u>42,946</u>	<u>3,628,037</u>
Fund Balances End of Year	<u><u>\$1,550,190</u></u>	<u><u>\$1,745,605</u></u>	<u><u>\$14,659</u></u>	<u><u>\$3,310,454</u></u>

See accompanying notes to the basic financial statements

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$1,036,800	\$1,359,019	\$1,393,027	\$34,008
Patron Fines and Fees	34,000	34,000	32,434	(1,566)
Contributions, Gifts and Donations	5,000	5,000	7,665	2,665
Earnings on Investments	10,100	10,100	12,818	2,718
Miscellaneous	22,640	22,640	13,583	(9,057)
Total Receipts	<u>1,108,540</u>	<u>1,430,759</u>	<u>1,459,527</u>	<u>28,768</u>
Disbursements				
Library Services	1,844,920	1,844,920	1,684,213	160,707
Capital Outlay	20,168	20,168	18,583	1,585
Total Disbursements	<u>1,865,088</u>	<u>1,865,088</u>	<u>1,702,796</u>	<u>162,292</u>
Excess of Disbursements Over Receipts	<u>(756,548)</u>	<u>(434,329)</u>	<u>(243,269)</u>	<u>191,060</u>
Other Financing Sources				
Transfers In		200,000	100,000	(100,000)
<i>Net Change in Fund Balance</i>	(756,548)	(234,329)	(143,269)	91,060
Unencumbered Fund Balance Beginning of Year	265,744	265,744	265,744	
Prior Year Encumbrances Appropriated	<u>56,721</u>	<u>56,721</u>	<u>56,721</u>	
Unencumbered Fund Balance End of Year	<u><u>(\$434,083)</u></u>	<u><u>\$88,136</u></u>	<u><u>\$179,196</u></u>	<u><u>\$91,060</u></u>

See accompanying notes to the basic financial statements

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**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note 1 – Description of the Library

The Birchard Public Library, Sandusky County (the Library) first opened its doors to the public in 1874, established through a bequest of Sardis Birchard and the leadership of Rutherford B. Hayes. The Library changed its status from an association library to a county district library in 1968 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees, 4 trustees are appointed by the Board of County Commissioners and 3 trustees are appointed by the Common Pleas judges. 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.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Birchard Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The revenues/net assets of the Friends of Birchard Public Library per its Form 990-N (e-postcard) as filed with the Internal Revenue Service does not exceed 5% of the Library's total fund revenues or net assets. Therefore, this organization has been excluded from the reporting entity of the Library.

The Birchard Library Association Foundation is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library does not have the ability to access a majority of the economic resources received or held by the separate organization, therefore, this organization has been excluded from the reporting entity of the Library.

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 the Note 2C, the financial statements of the Birchard 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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library did not have any business-type activities.

The statement of net assets presents the cash and investment 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 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Library's general receipts.

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. Nonmajor funds are aggregated and presented in a single 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 Library and Local Government Support Funds, 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 and reports all financial resources not accounted for and reported 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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Building and Repair Fund - The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for the building and repair of the buildings and grounds owned by the Library.

The other governmental funds of the Library are capital project funds that account for receipts restricted to expenditures for acquiring, constructing, repairing, or maintaining major capital projects.

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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

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 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 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 statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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 Trustees during the year.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

The Library maintains a deposit and investments pool that all funds use. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2011 amounted to \$12,818 which includes \$5,881 assigned from other Library funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are 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 property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

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

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

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.

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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Library has no long-term obligations.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 the Whitmore Trust.

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.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budget basis and the cash basis are that:

- a) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).
- b) Outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balance	
	General Fund
Budget Basis	(\$143,269)
Adjustment for encumbrances	72,921
Funds budgeted elsewhere	(112,319)
Cash Basis	(\$182,667)

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 4 – 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 two 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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 4 – Deposits and Investments (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$310 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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, \$701,153 of the Library's bank balance of \$1,430,847 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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.

Investments

As of December 31, 2011, the Library had the following investment:

	<u>Fair Value</u>
STAR Ohio	<u>\$1,919,490</u>

Credit Risk – STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 4 – Deposits and Investments (Continued)

Concentration of Credit Risk - The Library places no limit on the amount it may invest in any one issuer. The following investment represents five percent or more of total investments as of December 31, 2011:

Investment Issuer	Percentage of Total Investments
STAR Ohio	100.00 %

Note 5 - 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 2011, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
The Ohio Plan	General Liability, in aggregate	\$4,000,000
	General Liability, per occurrence	2,000,000
	Employers Liability	2,000,000
	Employee Benefits Liability, in aggregate	4,000,000
	Employee Benefits Liability, per occurrence	2,000,000
	Public Officials Liability, in aggregate	4,000,000
	Public Officials Liability, per occurrence	2,000,000
	Automobile Coverage, single limit	2,000,000
	Automobile Coverage, uninsured	1,000,000
	Property	7,739,206
	Library Materials	3,543,278
	Electronic Equipment	204,664
	Crime, Public Employee Dishonesty	50,000
	Boiler and Machinery	7,739,206
	Terrorism, building	7,739,206
Public Officials Bond	50,000	

Settled claims have not exceeded this 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.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 6 - Defined Benefit Pension Plan

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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 Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0% and 11.6%, respectively. The 2011 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll. The Library's 2011 contribution rate was 14.0 percent.

The Library's required contributions for pension obligations for the years ended December 31, 2011, 2010, and 2009 were \$131,773, \$145,631, and \$153,029, respectively; 92.1 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

Note 7 - Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 7 - Postemployment Benefits (Continued)

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 % of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS’ Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$37,647, \$52,820, and \$63,986, respectively; 92.1% has been contributed for 2011 and 100 percent for 2010 and 2009.

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Building and Repair Fund	Other Governmental Funds	Total
Restricted for				
Books - Whitmore Trust	\$131,921			\$131,921
Assigned to				
Library projects as per fund definitions	1,239,074	\$1,745,605	\$14,659	2,999,338
Unassigned	179,195			179,195
Total Fund Balances	\$1,550,190	\$1,745,605	\$14,659	\$3,310,454

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

Note 10 – Interfund Transfers

The building and repair fund transferred \$100,000 to the general fund for operating costs.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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*

Birchard Public Library
Sandusky County
423 Croghan Street
Fremont, Ohio 43420-2499

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 Birchard Public Library, Sandusky County, Ohio (the Library), as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 17, 2012, wherein, we noted the Library uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted a matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 17, 2012.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

July 17, 2012

**BIRCHARD PUBLIC LIBRARY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-001

Finding For Recovery Repaid Under Audit

Effective July 29, 2011, Judith Donnan retired as a Library Assistant. Ms. Donnan's rate of pay approved by the Board of Trustees for 2011 was \$20.71 per hour and her unused sick leave balance at the time of her retirement was 900 hours. The Library's personnel policy manual states "a staff member who has a minimum of ten years of service with the Library will be paid one-fourth the value of the accrued sick leave credit based upon the rate of pay at the time of resignation." At her Board approved hourly rate at the time of her retirement, Ms. Donnan was due \$4,660 in sick leave benefits. Ms. Donnan was paid \$5,177 for her unused sick leave balance during 2011 resulting in an overpayment of \$517.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.285, a finding for recovery for public money illegally expended is hereby issued against Judith Donnan, Library Assistant, in the amount of \$517 and in favor of the Birchard Public Library General fund.

The finding for recovery was repaid on June 5, 2012 and was credited to the General Fund.

Officials' Response:

The Fiscal Officer acknowledged an error was made and the amount was repaid.

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Dave Yost • Auditor of State

BIRCHARD PUBLIC LIBRARY

SANDUSKY 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 07, 2012**