



Dave Yost • Auditor of State

RITTER PUBLIC LIBRARY
ERIE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ritter Public Library
Erie County
5680 Liberty Avenue
Vermilion, Ohio 44089-1198

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 Ritter Public Library, Erie 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 Ritter Public Library, Erie County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the Ritter Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, 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, and 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.



Dave Yost
Auditor of State

Columbus, Ohio

June 14, 2013

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

This discussion and analysis of the Ritter Public Library's (the Library's) 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 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 \$4,875 or .5 percent, an insignificant change from the prior year.

The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs (Library and Local Government Support Funds). These receipts represent 38 and 47.2 percent, respectively, of total cash receipts during the year.

The Library construction and renovation project was completed in 2010.

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.

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.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

Reporting the 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 and investments of the Library at year end. The statement of activities compares cash disbursements with program receipts for each Library program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the 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 Library 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 as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and library and local government support (LLGSF) funds.

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 general library and support services. These services are funded primarily through property and LLGSF funds.

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 classified as governmental funds.

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 and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental funds activities section of the entity-wide statements.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

The 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

| | <u>Governmental Activities</u> | |
|---------------------------|--------------------------------|------------------|
| | <u>2011</u> | <u>2010</u> |
| Assets | | |
| Cash and Cash Equivalents | <u>\$987,147</u> | <u>\$992,022</u> |
| Net Assets | | |
| Restricted for: | | |
| Capital Outlay | \$206,469 | \$289,549 |
| Other Purposes | 115,118 | 121,244 |
| Unrestricted | <u>665,560</u> | <u>581,229</u> |
| Total Net Assets | <u>\$987,147</u> | <u>\$992,022</u> |

Overall net assets decreased by \$4,875. The stability in net assets reflects the lack of significant changes in total receipt and disbursement activity from 2010 to 2011 excluding capital outlay disbursements. Capital outlay disbursements decreased significantly due to the completion of the Library renovation and construction project in 2010.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

Table 2 reflects the changes in net assets in 2011 comparative to 2010 activity.

(Table 2)
Changes in Net Assets

| | Governmental Activities | |
|--|----------------------------|-------------|
| | 2011 | 2010 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$32,808 | \$30,174 |
| Operating Grants and Contributions | | 86,709 |
| Capital Grants and Contributions | 94,956 | 76,407 |
| Total Program Receipts | 127,764 | 193,290 |
| General Receipts: | | |
| Property and Other Local Taxes | 437,560 | 452,615 |
| Grants and Entitlements Not Restricted to Specific Programs | 543,929 | 497,799 |
| Unrestricted Gifts and Contributions | 33,982 | 29,902 |
| Earnings on Investments | 4,462 | 24,907 |
| Miscellaneous | 3,593 | 19,311 |
| Sale of Capital Assets | 600 | 1,580 |
| Total General Receipts | 1,024,126 | 1,026,114 |
| Total Receipts | 1,151,890 | 1,219,404 |
| Disbursements: | | |
| Library Services: | | |
| Public Service and Programs | 558,197 | 639,284 |
| Collection Development & Processing | 77,569 | 90,099 |
| Support Services: | | |
| Facilities Operations and Maintenance | 148,437 | 141,689 |
| Business Administration | 292,325 | 278,264 |
| Other | 51 | |
| Capital Outlay | 80,186 | 2,152,503 |
| Total Disbursements | 1,156,765 | 3,301,839 |
| Change in Net Assets | (4,875) | (2,082,435) |
| Net Assets, January 1 | 992,022 | 3,074,457 |
| Net Assets, December 31 | \$987,147 | \$992,022 |

Program receipts represent only 11.1 percent of total receipts. Charges for services are primarily comprised of patron fines, fees and coin operated machine income. The decrease in operating grants and contributions is associated with a bequest received in the 2010.

General receipts represent 88.9 percent of the Library's total receipts, and of this amount, 38 percent are local taxes. Grant and entitlements not restricted to specific programs represents 47.2 percent of total general receipts. Other receipts are less significant and somewhat unpredictable revenue sources.

Disbursements for public service programs, collection development and processing, facilities operations and maintenance, and business administration represent the major costs of running the Library. The decrease in capital outlay is associated with the completion of the Library renovation and construction project in 2010.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

Library Activities

If you look at the statement of activities, you will see that the first column lists the major services provided by the Library. The next column entitled "Program Receipts" identify amounts paid by patrons who are directly charged for the service, and amounts received from grantors restricted for use in meeting the capital needs of the Library. The "Net Cost of Services" column compares the program receipts to the cost of the service; this amount represents the portion of the total cost of services which are paid from general receipts 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: | | | | |
| Public Service and Programs | \$558,197 | \$430,443 | \$639,284 | \$445,994 |
| Collection Development and Processing | 77,569 | 77,569 | 90,099 | 90,099 |
| Support Services: | | | | |
| Facilities Operations and Maintenance | 148,437 | 148,437 | 141,689 | 141,689 |
| Business Administration | 292,325 | 292,325 | 278,264 | 278,264 |
| Other | 51 | 51 | | |
| Capital Outlay | 80,186 | 80,186 | 2,152,503 | 2,152,503 |
| Total Expenses | \$1,156,765 | \$1,029,011 | \$3,301,839 | \$3,108,549 |

The major program disbursements for Library activities are for public service related programs which account for 48.3 percent of Library disbursements. The dependence upon general receipts is apparent as 88.6 percent of Library activities are supported through these receipts.

The Library's Funds

Total Library funds had receipts of \$1,151,290 and disbursements of \$1,156,714 exclusive of other financing sources and uses. The balance of the General Fund increased by \$84,331. The increase in the General Fund can be attributed to increases in LLGSF receipts and decreased disbursements in public service and programs. The balance in the Building and Repair Fund decreased \$83,080. While capital outlay disbursements decreased significantly due to completion of the Library renovation and construction project additional monies were not transferred to this fund during 2011.

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, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts totaled \$1,076,559 while actual receipts and other financing sources totaled \$1,151,490 for a difference of \$74,931. LLGSF actual receipts exceeding budgeted amounts comprised the majority of this difference.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

Final disbursements and other financing uses were budgeted at \$1,166,806 while actual disbursements and other financing uses were \$1,122,452 for a difference of \$44,354. This difference is primarily attributed to disbursements for public service and programs, facilities operation and maintenance, and business administration disbursements being less than anticipated amounts.

Capital Assets and Debt Administration

Capital Assets

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

Debt

In November of 2007, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for a new addition to the Library. With the approval of that levy, the Board of Education issued general obligation bonds in the amount of \$3,500,000 in 2008. This debt is not an obligation of the Library and appears as a liability of the Board of Education on their financial records.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our financial forecast is designed to keep the library in the black; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan has been in effect for some years already, however with the funding freezes and the forecast of reduced funding we are charged anew with keeping spending in check. With funding at the state level facing an 8 billion dollar shortfall for the next biennium, the Board expects even further stressors to the already excruciatingly tight budget in 2012.

The new addition and renovation was completed in the first quarter of 2010. Early in 2011, Ritter Public Library was awarded Gold LEED Certification for the construction and renovation projects as a pioneering example of sustainable design. As a result of the sustainable design of the new addition, utilities showed significant change. In spite of almost doubling the size of the building, water usage was down nearly \$200 for the year. Electric KWHs were down by 30,480 and Natural gas usage increased by only 628 CCC's for the year.

The library was able to further serve its patrons in 2011 as a result of its new building expansion. Patron's computer use increased by nearly 4,000 sessions and meeting room attendance increased by 2,346 as compared to the prior year.

Ritter Public Library non-administrative employees are part of the Ohio Association of Public School Employees, Local 337. Because of the continued funding crisis, the Board of Trustees began to discuss the upcoming contract negotiations early in the last quarter of 2011. Though the negotiations continued beyond year end, both the employees and the library trustees continue working towards an agreement.

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 M. Janet Springer, Fiscal Officer, Ritter Public Library, 5680 Liberty Avenue, Vermilion, OH 44089-1198.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

| | Governmental Activities |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | <u>\$987,147</u> |
| Net Assets: | |
| Restricted for: | |
| Capital Projects | 206,469 |
| Other Purposes | 115,118 |
| Unrestricted | <u>665,560</u> |
| <i>Total Net Assets</i> | <u><u>\$987,147</u></u> |

See accompanying notes to the basic financial statements

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

| | Program Revenues | | | Net (Disbursements) Receipts and Changes in Net Assets |
|---|--------------------------------------|-------------------------------------|----------------------------|--|
| Cash Disbursements | Charges for Services and Sales | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities | | | | |
| Library Services: | | | | |
| Public Services and Programs | \$558,197 | \$32,808 | \$94,956 | (\$430,433) |
| Collection Development and Processing | 77,569 | | | (77,569) |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 148,437 | | | (148,437) |
| Business Administration | 292,325 | | | (292,325) |
| Other | 51 | | | (51) |
| Capital Outlay | 80,186 | | | (80,186) |
| <i>Total Governmental Activities</i> | \$1,156,765 | \$32,808 | \$94,956 | (\$1,029,001) |
| General Receipts: | | | | |
| Property Taxes Levied for General Purposes | | | | 437,560 |
| Unrestricted Gifts and Contributions | | | | 33,982 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 543,929 |
| Sale of Capital Assets | | | | 600 |
| Earnings on Investments | | | | 4,462 |
| Miscellaneous | | | | 3,593 |
| <i>Total General Receipts</i> | | | | 1,024,126 |
| <i>Change in Net Assets</i> | | | | (4,875) |
| <i>Net Assets Beginning of Year</i> | | | | 992,022 |
| <i>Net Assets End of Year</i> | | | | \$987,147 |

See accompanying notes to the basic financial statements

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

| | General | Building and Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$665,560</u> | <u>\$206,469</u> | <u>\$115,118</u> | <u>\$987,147</u> |
| Fund Balances | | | | |
| Restricted | | | 115,118 | 115,118 |
| Committed | | 206,469 | | 206,469 |
| Assigned | 55,293 | | | 55,293 |
| Unassigned | <u>610,267</u> | | | <u>610,267</u> |
| <i>Total Fund Balances</i> | <u>\$665,560</u> | <u>\$206,469</u> | <u>\$115,118</u> | <u>\$987,147</u> |

See accompanying notes to the basic financial statements

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

| | General | Building and Repair Fund | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$437,560 | | | \$437,560 |
| Library and Local Government Support | 543,929 | | | 543,929 |
| Intergovernmental | 94,956 | | | 94,956 |
| Patron Fines and Fees | 32,808 | | | 32,808 |
| Contributions, Gifts and Donations | 33,982 | | | 33,982 |
| Earnings on Investments | 4,462 | | | 4,462 |
| Miscellaneous | 3,193 | \$400 | | 3,593 |
| <i>Total Receipts</i> | <u>1,150,890</u> | <u>400</u> | | <u>1,151,290</u> |
| Disbursements | | | | |
| Library Services: | | | | |
| Public Services and Programs | 553,871 | | \$4,326 | 558,197 |
| Collection Development and Processing | 77,569 | | | 77,569 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 140,608 | 6,029 | 1,800 | 148,437 |
| Business Administration | 292,325 | | | 292,325 |
| Capital Outlay | 2,735 | 77,451 | | 80,186 |
| <i>Total Disbursements</i> | <u>1,067,108</u> | <u>83,480</u> | <u>6,126</u> | <u>1,156,714</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>83,782</u> | <u>(83,080)</u> | <u>(6,126)</u> | <u>(5,424)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 600 | | | 600 |
| Other Financing Uses | (51) | | | (51) |
| <i>Total Other Financing Sources (Uses)</i> | <u>549</u> | | | <u>549</u> |
| <i>Net Change in Fund Balances</i> | 84,331 | (83,080) | (6,126) | (4,875) |
| <i>Fund Balances Beginning of Year</i> | <u>581,229</u> | <u>289,549</u> | <u>121,244</u> | <u>992,022</u> |
| <i>Fund Balances End of Year</i> | <u>\$665,560</u> | <u>\$206,469</u> | <u>\$115,118</u> | <u>\$987,147</u> |

See accompanying notes to the basic financial statements

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Receipts | | | | |
| Property and Other Local Taxes | \$433,657 | \$433,657 | \$437,560 | \$3,903 |
| Library and Local Government Support | 484,446 | 484,446 | 543,929 | 59,483 |
| Intergovernmental | 94,956 | 94,956 | 94,956 | |
| Patron Fines and Fees | 29,000 | 29,000 | 32,808 | 3,808 |
| Contributions, Gifts and Donations | 25,000 | 25,000 | 33,982 | 8,982 |
| Earnings on Investments | 4,500 | 4,500 | 4,462 | (38) |
| Miscellaneous | 5,000 | 5,000 | 3,193 | (1,807) |
| <i>Total Receipts</i> | <u>1,076,559</u> | <u>1,076,559</u> | <u>1,150,890</u> | <u>74,331</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | | | | |
| Public Services and Programs | 610,558 | 619,569 | 597,960 | 21,609 |
| Collection Development and Processing | 79,200 | 79,539 | 78,301 | 1,238 |
| Support Services: | | | | |
| Facilities Operation and Maintenance | 150,476 | 151,788 | 142,191 | 9,597 |
| Business Administration | 306,595 | 310,731 | 300,782 | 9,949 |
| Capital Outlay | 750 | 3,179 | 3,167 | 12 |
| <i>Total Disbursements</i> | <u>1,147,579</u> | <u>1,164,806</u> | <u>1,122,401</u> | <u>42,405</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(71,020)</u> | <u>(88,247)</u> | <u>28,489</u> | <u>116,736</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | | | 600 | 600 |
| Other Financing Uses | (2,000) | (2,000) | (51) | 1,949 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,000)</u> | <u>(2,000)</u> | <u>549</u> | <u>2,549</u> |
| <i>Net Change in Fund Balance</i> | (73,020) | (90,247) | 29,038 | 119,285 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 510,028 | 510,028 | 510,028 | |
| Prior Year Encumbrances Appropriated | 71,201 | 71,201 | 71,201 | |
| <i>Unencumbered Fund Balance End of Year</i> | <u>\$508,209</u> | <u>\$490,982</u> | <u>\$610,267</u> | <u>\$119,285</u> |

See accompanying notes to the basic financial statements

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**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

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

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" the Library is considered to be a related organization of the Vermilion Local School District.

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. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Ritter Public Library Endowment Fund has been formed as a separate entity of the Ritter Public Library. The Ritter Public Library Board of Trustees maintains no control over the finances of the Endowment Fund. The Endowment Fund Trustees are authorized to conduct activities for the Endowment and report their activities to the Library Board of Trustees annually. The mission of the Ritter Public Library Endowment Fund is to receive, develop, and administer funds for specific and worthy purposes while providing for the Library's future needs, stability and growth.

The Friends of the Ritter Public Library, Inc. 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. 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.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Ritter 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. 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 charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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. Non major 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.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

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

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

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the 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.

**RITTER PUBLIC LIBRARY
ERIE 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

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "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 and losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2010, investments were limited to money market mutual funds and STAR Ohio.

The Library's money market fund and STAR Ohio investments are recorded at amounts reported by the fund on December 31, 2010.

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 Rule2a7 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 \$4,462, which includes \$1,651 assigned from other Library funds.

F. 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.

G. 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.

H. 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.

I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

RITTER PUBLIC LIBRARY
ERIE COUNTY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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. Restricted assets represent monies restricted for capital projects and grants.

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.

L. 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.

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.

Enabling legislation authorizes the Library to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Library can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Board of Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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 Board of Trustees or a Library official delegated that authority by ordinance, or by State Statute.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 classifications could be used.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding year end (budget basis) amounted to \$55,293 for the general fund.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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:

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

At year end, the Library had \$595 in un-deposited cash on hand which is included as part of "Cash" 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, none of the Library's bank balance of \$959,602 was exposed to custodial credit risk because all deposits are insured by the Federal Depository Insurance Corporation.

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.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

| | Carrying Value | Maturity |
|-----------|----------------|------------------|
| STAR Ohio | 49,813 | 6 months or less |
| | | |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard and Poor’s. The Library has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer of qualified trustee.

Concentration of Credit Risk: The Library places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Library at December 31, 2011:

| Investment Type | Carrying Value | % to Total |
|-----------------|----------------|------------|
| STAR Ohio | 49,813 | 100.00% |
| | | |

NOTE 6 – GRANTS-IN-AID AND PROPERTY TAXES

The primary source of revenue for Ohio public Libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county’s prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on needs. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Ohio School District. Property tax receipts received in 2011 for real and public utility property taxes represents collections of the 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2010 taxes.

2011 real property taxes are levied after October 1, 2011 on the assessed values as of January 1, 2011 the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, are levied after October 1, 2011 and are collected in 2012 with real property taxes.

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

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 6 – GRANTS-IN-AID AND PROPERTY TAXES (CONTINUED)

The full tax rate for all Library operations for the year ended December 31, 2011, was \$1.60 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2010 (2011) property tax receipts were based are as follow:

| | Erie County & Lorain County |
|-------------------------------|-----------------------------|
| Real Property | |
| Residential | \$339,484,010 |
| Agriculture | 9,387,710 |
| Commercial/Industrial/Mineral | 54,755,660 |
| Public Utility Property | |
| Real | 434,280 |
| Personal | 43,264,310 |
| Total Assessed Value | \$447,325,970 |

NOTE 7 - 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 two companies for insurance coverage as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Amount of Coverage</u> |
|--|-------------------------|---------------------------|
| State Farm Insurance | Commercial Property | 8,225,000 |
| | General Liability | 10,005,000 |
| | Commercial Crime | |
| | Inland Marine | |
| | Vehicle | |
| France and Associates Allen Thorley DeLloyd | Errors and Omissions | 1,000,000/3,000,000 |
| | Library Officials | 75,000 |
| | Fidelity and Deposit | |

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.

Ritter Public Library provides health insurance to all of its' full time professional positions. Full time non-professional positions receive 75% of their premium paid for them, not to exceed \$300.00/month. Part time positions receive a prorated portion based on the percentage of a 35-hour week the employee is scheduled to work. Those employees working less than 20 hours are not entitled to Board-contributed health insurance.

Ritter Public Library provides \$15,000 of Life insurance to all full time salaried employees, and hourly employees working 20 hours or more. The Director and Fiscal Officer are provided with \$30,000 of Board paid life insurance. The professional staff is provided with \$25,000 paid life insurance.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. 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. For 2011, member and employer contribution rates were consistent across all three plans.

The Library's 2011 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$95,150, \$103,484, and \$90,663, respectively; the full amount has been contributed for 2010, 2009, and 2008.

NOTE 9 – 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 for 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. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 9 – POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Disclosures for the health care plan are presented 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 post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). 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.

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 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board 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 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$38,060, \$41,393, and \$39,306, respectively. 88.25 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 10 – DEBT

In November of 2007, the Board of Trustees of the Ritter Public Library submitted to the Vermilion Local School District Board of Education a property tax levy to be used for a new addition to the Library. With the approval of that levy, the Board of Education issued general obligation bonds in the amount of \$3,500,000 in 2008. This debt is not an obligation of the Library and appears as a liability of the Board of Education on their financial records.

**RITTER PUBLIC LIBRARY
ERIE COUNTY**

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

NOTE 11 – 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 Fund | Building and Repair Fund | Other Governmental Funds | Total |
|------------------------------------|--------------|-----------------------------|--------------------------------|-----------|
| Restricted for | | | | |
| Religious and Scientific Materials | | | \$77,260 | \$77,260 |
| Library Purposes | | | 37,858 | 37,858 |
| <i>Total Restricted</i> | | | 115,118 | 115,118 |
| Committed to | | | | |
| Building Improvements and Repairs | | \$206,469 | | 206,469 |
| Assigned to | | | | |
| Library Purposes | \$44,821 | | | 44,821 |
| Support Services | 10,472 | | | 10,472 |
| <i>Total Assigned</i> | 55,293 | | | 55,293 |
| Unassigned: | 610,267 | | | 610,267 |
| <i>Total Fund Balances</i> | \$665,560 | \$206,469 | \$115,118 | \$987,147 |



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

Ritter Public Library
Erie County
5680 Liberty Avenue
Vermilion, Ohio 44089-1198

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 Ritter Public Library, Erie 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 June 14, 2013, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles and the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for 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, the audit committee, the Board of Trustees, 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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 14, 2013

RITTER PUBLIC LIBRARY
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|----------------------|--|
| 2010-001 | Finding for recovery against Ohio Revised Code § 3375.40(G) overpayments to employees. | Partially Corrected. | Amounts repaid with the exception of \$57 not repaid as of June 14, 2013. |

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RITTER PUBLIC LIBRARY

ERIE 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
JULY 9, 2013**