

**GNADENHUTTEN PUBLIC LIBRARY**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2011 AND 2010**

Varney, Fink & Associates  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Trustees  
Gnadenhutzen Public Library  
106 North Walnut Street  
P.O. Box 216  
Gnadenhutzen, Ohio 44629

We have reviewed the *Independent Accountants' Report* of the Gnadenhutzen Public Library, Tuscarawas County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gnadenhutzen Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 5, 2012

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**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY  
December 31, 2011 and 2010**

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**INDEPENDENT ACCOUNTANTS' REPORT**

Gnadenhutten Public Library  
Tuscarawas County  
106 North Walnut Street  
P.O. Box 216  
Gnadenhutten, Ohio 44629

To the Board of Trustees:

We have audited the accompanying financial statements of the Gnadenhutten Public Library, Tuscarawas County, (the Library) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Gnadenhutten Public Library, Tuscarawas County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2010 the Gnadenhutten 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 May 23, 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.

*Varney, Fink & Associates*

Varney, Fink & Associates, CPA  
Certified Public Accountants

May 23, 2012

**Gnadenhutzen Public Library***Tuscarawas County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2011*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Library and Local Government Support	\$105,968	\$0	\$105,968
Patron Fines and Fees	3,907	0	3,907
Contributions, Gifts and Donations	2,482	0	2,482
Interest Income	100	0	100
<i>Total Cash Receipts</i>	<u>112,457</u>	<u>0</u>	<u>112,457</u>
<b>Cash Disbursements</b>			
Current:			
Salaries	63,395	0	63,395
Employee Fringe Benefits	11,141	0	11,141
Purchased and Contractual Services	12,500	0	12,500
Library Materials and Information	14,562	0	14,562
Supplies	5,208	0	5,208
Other	286	0	286
<i>Total Cash Disbursements</i>	<u>107,092</u>	<u>0</u>	<u>107,092</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	5,365	0	5,365
<i>Fund Cash Balances, January 1</i>	<u>77,060</u>	<u>748</u>	<u>77,808</u>
Restricted for Children's Program Literacy	0	748	748
Unassigned	<u>82,425</u>	<u>0</u>	<u>82,425</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$82,425</u></u>	<u><u>\$748</u></u>	<u><u>\$83,173</u></u>

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

**Gnadenhutzen Public Library***Tuscarawas County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2010*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Library and Local Government Support	\$99,100	\$0	\$99,100
Patron Fines and Fees	4,067	0	4,067
Contributions, Gifts and Donations	5,091	500	5,591
Interest Income	119	0	119
Miscellaneous	2,816		2,816
<i>Total Cash Receipts</i>	<u>111,193</u>	<u>500</u>	<u>111,693</u>
<b>Cash Disbursements</b>			
Current:			
Salaries	60,956	0	60,956
Employee Fringe Benefits	9,232	0	9,232
Purchased and Contractual Services	11,657	0	11,657
Library Materials and Information	11,632	0	11,632
Supplies	4,809	252	5,061
Other	566	0	566
<i>Total Cash Disbursements</i>	<u>98,852</u>	<u>252</u>	<u>99,104</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	12,341	248	12,589
<i>Fund Cash Balances, January 1</i>	<u>64,719</u>	<u>500</u>	<u>65,219</u>
Restricted for Children's Program Literacy	0	748	748
Assigned to Encumbrances	1,316	0	1,316
Unassigned	75,744	0	75,744
<i>Fund Cash Balances, December 31</i>	<u><u>\$77,060</u></u>	<u><u>\$748</u></u>	<u><u>\$77,808</u></u>

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

**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Gnadenhutten Public Library, Tuscarawas County, (the Library) as a body corporate and politic. The Indian Valley Local School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Library maintains deposits in an interest bearing checking account. The Library has no investments.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**2. Special Revenue Fund**

This fund accounts for Children's Program Literacy Grants from Ronald McDonald House Charities that are restricted to expenditure for specific purposes.

**E. Budgetary Process**

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *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.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included 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.

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Equity in Pooled Deposits**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$85,173</u>	<u>\$77,808</u>

**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,457	\$112,457	\$0
Special Revenue	0	0	0
Total	\$112,457	\$112,457	\$0

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$153,810	\$107,092	\$46,718
Special Revenue	748	0	748
Total	\$154,558	\$107,092	\$47,466

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,944	\$111,193	\$16,249
Special Revenue	0	500	500
Total	\$94,944	\$111,693	\$16,749

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$159,663	\$100,168	\$59,495
Special Revenue	500	252	248
Total	\$160,163	\$100,420	\$59,743

**4. Grants-in-aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**GNADENHUTTEN PUBLIC LIBRARY  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**5. Retirement Systems**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2011.

**6. Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

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

Gnadenhutten Public Library  
Tuscarawas County  
106 North Walnut Street  
P.O. Box 216  
Gnadenhutten, Ohio 44629

To the Board of Trustees:

We have audited the financial statements of the Gnadenhutten Public Library, Tuscarawas County, (the Library) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated May 23, 2011, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather 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 opinion 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 did note a matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated May 23, 2012

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

*Varney, Fink & Associates*

Varney, Fink & Associates, CPA  
Certified Public Accountants

May 23, 2012





# Dave Yost • Auditor of State

**GNADENHUTTEN PUBLIC LIBRARY**

**TUSCARAWAS 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 17, 2012**