



Mary Taylor, CPA
Auditor of State

**LEETONIA COMMUNITY PUBLIC LIBRARY
COLUMBIANA COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Leetonia Community Public Library
Columbiana County
PO Box 111
Leetonia, Ohio 44431

To the Board of Library Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Leetonia Community Public Library, Columbiana County, Ohio (the Library), as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Leetonia Community Public Library, Columbiana County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, thereof, for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Library's basic financial statements. The federal awards expenditure schedule provides additional information and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

September 17, 2010

Leetonia Community Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the Leetonia Community Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, 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 2009 are as follows:

Net assets of governmental activities decreased to \$216,209, or 53%, from the prior year due to the expenditures related to building a new library facility.

The Library's general receipts are primarily from the Public Library Fund (PLF). Receipts from this fund represent 89 percent of the total cash received through government funding during the year.

The next source of significant income was from the library's investment account which accounted for 5 percent of total cash received. This is a decrease from 18 percent in 2008 due to decreases in interest rate and reduction in Principal through expenditures related to the New Library Project. Investments continue to be focused on instruments with higher interest rates such as STAR Ohio and a Money market account with Farmers National Bank.

Capital Outlay expenses continued to be significant as the library continued to build a new library which was completed in 2009.

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 government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that 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.

Leetonia Community Public Library
Management's Discussion and Analysis
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, 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 operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity 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 income taxes.

In the statement of net assets and the statement of activities, we divide the Library into two types of activities:

Governmental activities. Most of the Library's basic services are reported here. State grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Library has no business-type activity.

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 split into three categories: governmental, proprietary and fiduciary.

Leetonia Community Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Library charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Library has no enterprise fund. When the services are provided to another department of the Library, the service is reported as an internal service fund. The Library has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs. The Library has no Fiduciary Funds

The Library as a Whole

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

	Governmental Activities	
	2008	2009
Assets		
Cash and Cash Equivalents	1,915,884.00	216,209
Total Assets	1,915,884.00	216,209
Net Assets		
Restricted	1,157,418	20,970
Unrestricted	758,466	195,239
Total Net Assets	1,915,884.00	\$216,209

As mentioned previously, net assets of governmental activities decreased to \$216,209, or 53%, from the prior year due to the expenditures related to building a new library facility.

Leetonia Community Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 reflects the changes in net assets from 2008 to 2009.

(Table 2)

	2008	2009
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$5,793	\$5,941
Contributions, Gifts		\$111
Total Program Receipts	<u>5,793</u>	<u>6,052</u>
General Receipts:		
Grants and Entitlements Not Restricted to Specific Programs	324,498	272,871
Contributions, Gifts		12,570
Interest	72,400	14,647
Miscellaneous	5,893	1,246
Total General Receipts	<u>402,791</u>	<u>301,334</u>
Total Receipts	<u>408,584</u>	<u>307,386</u>
Disbursements:		
Library Services	251,325	257,856
Business Administration	1,307	3,378
Capital Outlay	1,189,751	1,720,267
Debt Service Principal		800,000
Debt Service Interest	9,764	25,560
Total Disbursements	<u>1,452,148</u>	<u>2,807,061</u>
Deficiency Before Transfers	(1,043,564)	(2,499,675)
Other Financing Sources		
Sale of Note	800,000	800,000
Transfers In	104,995	608,112
Transfers Out	(104,995)	(608,112)
	<u>800,000</u>	<u>800,000</u>
Change in Net Assets	(243,564)	(1,699,675)
Fund Balance	2,159,447	1,915,884
Net Assets	<u>\$1,915,883</u>	<u>\$216,209</u>

Program receipts represent only 2 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as patron fines and services provided to patrons such as copies and faxing.

General receipts represent 98 percent of the Library's total receipts. Receipts from the Public Library Fund (PLF) provide the majority of the general receipts (89 percent). Interest and earnings on investments provided the second largest amount of receipts (5 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Leetonia Community Public Library
 Management's Discussion and Analysis
 For the Year Ended December 31, 2009
 Unaudited

Disbursements for Library Services represent the overhead costs of running the Library and the other Library activities. These include the costs of the auditor, treasurer, as well as internal services such as payroll and purchasing. Capital Outlay expenses increased due the new building project.

Governmental 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 identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)		
Governmental Activities		
	Total Cost	Net Cost
	Of Services	of Services
	2009	2009
Library Services	\$257,856	(\$251,804)
Business Administration	\$3,378	(\$3,378)
Capital Outlay	\$1,720,267	(\$1,720,267)
Debt Service Principal	800,000	(800,000)
Debt Service Interest	25,560	(25,560)
Total Expenses	<u>\$2,807,062</u>	<u>(\$2,801,009)</u>

The dependence upon Public Library Fund is apparent as 100 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$306,583 and disbursements of \$2,807,062. The fund balance of the General Fund decreased \$563,227.

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.

Leetonia Community Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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 Public Library Fund funds and have very little industry to support the tax base. We have been conservative in our budgeting in prior years.

The New Library project was completed in August 2009. Funding for the project was created through savings by the board, passage of a construction bond, and loan/grant support from the USDA. Expenditures for the new facility were higher than expected due to the need for a high pressure water line to support the library's fire suppression system. The village was unable to provide the larger water line so the library agreed to pay a one-time tap in fee that would equal the cost of the water line installation. The tap in fee along with delay costs due to USDA bureaucracy cost the library in excess of \$200,000. Funding was cut by nearly 20% in 2008 and will be cut another 30% in 2009 due to poor economic conditions that the state, country and world are living in. In response to the reduced funding the board cut 1/3 of staff and reduced hours of operation to maintain the reduced level of savings and keep the library alive for as long as possible. It is hoped that the economy will recover and funding along with it. The new facility has been well received and usage is up so the future is bright in that respect.

Contacting the Government'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 Andy Smith, Director/Fiscal Officer, Leetonia Community Public Library, Leetonia, Ohio 44431.

LEETONIA COMMUNITY LIBRARY, COLUMBIANA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$216,209
<i>Total Assets</i>	<u><u>\$216,209</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$20,970
Unrestricted	\$195,239
<i>Total Net Assets</i>	<u><u>\$216,209</u></u>

See accompanying notes to the basic financial statements.

LEETONIA COMMUNITY LIBRARY, COLUMBIANA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2009

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
Assets			
Equity in Pooled Cash and Cash Equivalents	\$195,239	\$20,970	\$216,209
<i>Total Assets</i>	<u>\$195,239</u>	<u>\$20,970</u>	<u>\$216,209</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$783	\$0	\$783
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	\$194,456	\$0	\$194,456
Capital Projects Funds	\$0	\$20,970	\$20,970
<i>Total Fund Balances</i>	<u>\$195,239</u>	<u>\$20,970</u>	<u>\$216,209</u>

See accompanying notes to the basic financial statements.

LEETONIA COMMUNITY LIBRARY, COLUMBIANA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities						
Library Services	\$257,856	\$5,941	\$0	\$111	(\$251,804)	(\$251,804)
Business Administration	\$3,378	\$0	\$0	\$0	(\$3,378)	(\$3,378)
Capital Outlay	\$1,720,267	\$0	\$0	\$0	(\$1,720,267)	(\$1,720,267)
Debt Service:						
Principal	\$800,000	\$0	\$0	\$0	(\$800,000)	(\$800,000)
Interest	\$25,561	\$0	\$0	\$0	(\$25,561)	(\$25,561)
<i>Total Governmental Activities</i>	\$2,807,062	\$5,941	\$0	\$111	(\$2,801,010)	(\$2,801,010)
<i>Total Primary Government</i>	<u>\$2,807,062</u>	<u>\$5,941</u>	<u>\$0</u>	<u>\$111</u>	<u>(\$2,801,010)</u>	<u>(\$2,801,010)</u>
General Receipts						
Property Taxes					\$0	\$0
Other Local Taxes					\$0	\$0
Unrestricted Gifts and Contributions					\$12,570	\$12,570
Grants and Entitlements not Restricted to Specific Programs					\$272,871	\$272,871
Sale of Bonds					\$0	\$0
Sale of Notes					\$800,000	\$800,000
Other Debt Proceeds					\$0	\$0
Discounts, Premiums and Accrued Interest on Debt					\$0	\$0
Sale of Fixed Assets					\$0	\$0
Earnings on Investments					\$14,647	\$14,647
Miscellaneous					\$1,246	\$1,246
<i>Total General Receipts</i>					\$1,101,334	\$1,101,334
Contributions to a Permanent Fund					\$0	\$0
Special Items					\$0	\$0
Extraordinary Items					\$0	\$0
Transfers					\$0	\$0
Advances					\$0	\$0
Total General Receipts, Special & Extraordinary Items, Transfers and Advances					\$1,101,334	\$1,101,334
Change in Net Assets					(\$1,699,675)	(\$1,699,675)
<i>Net Assets Beginning of Year</i>					\$1,915,884	\$1,915,884
<i>Net Assets End of Year</i>					<u>\$216,209</u>	<u>\$216,209</u>

See accompanying notes to the basic financial statements.

LEETONIA COMMUNITY LIBRARY, COLUMBIANA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL
Receipts			
Public Library	272,871	0	272,871
Patron, Fines and Fees	5,941	0	5,941
Contributions, Gifts and Donations	12,681	0	12,681
Earnings on Investments	14,647	0	14,647
Miscellaneous	442	0	442
	<u>306,582</u>	<u>0</u>	<u>306,582</u>
Disbursements			
Current:			
Library Services	257,856	0	257,856
Business Administration	3,378	0	3,378
Capital Outlay	1,267	1,719,000	1,720,267
Debt Service:			
Principal Retirement	800,000	0	800,000
Interest and Fiscal Charges	0	25,560	25,560
	<u>1,062,501</u>	<u>1,744,560</u>	<u>2,807,061</u>
Excess of Receipts Over (Under) Disbursements	<u>(755,919)</u>	<u>(1,744,560)</u>	<u>(2,500,479)</u>
Other Financing Sources (Uses)			
Sale of Notes	800,000	0	800,000
Transfers In	0	608,112	608,112
Transfers Out	(608,112)	0	(608,112)
Other Financing Sources	804	0	804
Other Financing Uses	0	0	0
	<u>192,692</u>	<u>608,112</u>	<u>800,804</u>
Net Change in Fund Balances	(563,227)	(1,136,448)	(1,699,675)
Fund Balances Beginning of Year	<u>758,466</u>	<u>1,157,418</u>	<u>1,915,884</u>
Fund Balances End of Year	<u><u>195,239</u></u>	<u><u>20,970</u></u>	<u><u>216,209</u></u>

See accompanying notes to the basic financial statements.

LEETONIA COMMUNITY LIBRARY, COLUMBIANA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2009

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$0	\$0	\$0	\$0
Public Library	\$308,239	\$271,527	\$272,871	\$1,344
Patron, Fines and Fees	\$5,500	\$5,500	\$5,941	\$441
Contributions, Gifts and Donations	\$10,200	\$10,200	\$12,681	\$2,481
Earnings on Investments	\$28,000	\$28,000	\$14,647	(\$13,353)
Miscellaneous	\$1,500	\$1,500	\$442	(\$1,058)
<i>Total receipts</i>	<u>\$353,439</u>	<u>\$316,727</u>	<u>\$306,582</u>	<u>(\$10,145)</u>
Disbursements				
Current:				
Library Services	\$336,084	\$334,439	\$258,640	\$75,799
Business Administration	\$0	\$3,378	\$3,378	\$0
Capital Outlay	\$3,000	\$1,267	\$1,267	\$0
Debt Service:				
Principal Retirement	\$0	\$800,000	\$800,000	\$0
<i>Total Disbursements</i>	<u>\$339,084</u>	<u>\$1,139,084</u>	<u>\$1,063,285</u>	<u>\$75,799</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>\$14,355</u>	<u>(\$822,357)</u>	<u>(\$756,703)</u>	<u>\$65,654</u>
Other Financing Sources (Uses)				
Sale of Notes	\$0	\$800,000	\$800,000	\$0
Transfers In	\$0	\$0	\$0	\$0
Transfers Out	(\$300,000)	(\$608,112)	(\$608,112)	\$0
Other Financing Sources	\$0	\$0	\$804	\$804
<i>Total Other Financing Sources (Uses)</i>	<u>(\$300,000)</u>	<u>\$191,888</u>	<u>\$192,692</u>	<u>\$804</u>
<i>Net Change in Fund Balance</i>	<u>(\$285,645)</u>	<u>(\$630,469)</u>	<u>(\$564,011)</u>	<u>\$66,458</u>
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>\$757,682</u>	<u>\$757,682</u>	<u>\$757,682</u>	<u>\$0</u>
Prior Year Encumbrances Appropriated	<u>\$784</u>	<u>\$784</u>	<u>\$784</u>	<u>\$0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$472,822</u>	<u>\$127,998</u>	<u>\$194,456</u>	<u>\$66,458</u>
Unclaimed Money			\$0	
Permanent Funds (Nonexpendable)			\$0	
<i>Unencumbered Undesignated Fund Balance</i>			<u>\$194,456</u>	

See accompanying notes to the basic financial statements.

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Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 1 – Description of the Library and Reporting Entity

The Leetonia Community Public Library was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Leetonia Exempted Village 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 Clerk-Treasurer.

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,” the Library is considered to be a related organization of the Board of Education.

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 Library is a full voting member with Northeast Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity.” This organization is presented in note 10.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Leetonia Community 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 and the fund financial statements for the proprietary funds, 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 modified 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.

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements those activities of the Library that are governmental. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance 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 is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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. Funds are used to segregate resources that are restricted as to use. The Library's funds are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

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

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Capital Project Fund – The capital project fund accounts for financial activity related to the building project.

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

Proprietary Funds

The Library classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Library had no proprietary funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. The Library has no private purpose trust fund accounts. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library has no fiduciary funds.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Library are described in the appropriate section in this note.

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 expenses and liabilities) 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 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 Clerk Treasurer. The amounts reported as the original budgeted amounts on the

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2009, investments were limited to a money market fund and STAR Ohio. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by *Farmers National Bank*.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2009 amounted to \$14,647.09.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 2 – Summary of Significant Accounting Policies (continued)

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. 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.

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.

M. Fund Balance Reserves

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

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$783.62 for the general fund.

Note 4 – Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

- a. 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;
- b. 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio or Ohio local governments;
- e. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 4 – Deposits and Investments (continued)

- f. 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;
- g. 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.

Deposits

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.

At year end, the Library had \$120.00 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Investments

As of December 31, 2009, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Money Market	\$202,970	Average
STAR Ohio	\$3,183	35 days
Total Investments	<u>\$206,153</u>	

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Library’s name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee.

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 4 – Deposits and Investments (continued)

If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Note 5 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance Company	Commercial Property	\$825,000
	General Liability	1,000,000
	Valuable Papers and Records Coverage	490,000
	Business Personal Property	200,000
	Utica National Insurance Group	Errors and Omissions
Cincinnati Insurance Company	Fidelity and Deposit	2,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 6 - Defined Benefit Pension Plan

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Leetonia Community Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2009

Note 6 - Defined Benefit Pension Plan (continued)

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007, were \$15,990, \$15,139, and \$14,233 respectively; the full amount has been contributed for 2009, 2008, and 2007.

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 local government employer contribution rate was 14.0 percent of covered payroll. The portion of employer contributions allocated to health care was 7.0 percent from January 1 to March 31, 2009 and 5.5% from April 1 through December 31, 2009.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 and 3 percent annually for the next six years and 4 percent annually after seven years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 357,584. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$6,597. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

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

As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Leetonia Community Public Library

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009*

Note 8 - Notes Payable

A summary of the note transactions for the year ended December 31, 2009, follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
2008 Library Fund Library Facilities Anticipation Notes	3.98%	\$800,000	\$0	\$800,000	\$0
2009 Library Fund Library Facilities Notes	4.25%	\$0	\$800,000	\$0	\$800,000

The Library opened an 18 month construction note for \$800,000 with Farmers National Bank of Canfield as a bridge loan during construction of a new library facility. The United States Department of Agriculture (USDA) closed out the loan in 2009 and financed the debt for 25 years.

Note 9 – Debt

The Leetonia Exempted Village School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 2006 the Library Board approved for the School District to place on the ballot, Library Construction Bonds in the amount of \$1,450,000 for the construction of the current Library. As of December 31, 2009 (the latest information available) principal outstanding was \$1,239,999.40.

Note 10 - Jointly Governed Organization

The Library is a full voting member with the Northeast Ohio Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity.” NEO-RLS is a multi-type library consortium assisting member libraries to better meet the needs of their customers by creating opportunities to accomplish services and programs beyond individual capabilities and resources. NEO-RLS facilitates the work of member libraries through membership-driven services, professional development and responsible fiscal management.

**LEETONIA COMMUNITY PUBLIC LIBRARY
COLUMBIANA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Community Facilities Loan		10.766	\$800,000
Total U.S. Department of Agriculture			<u>800,000</u>
Total			<u><u>\$800,000</u></u>

The accompanying notes are an integral part of this schedule.

**LEETONIA COMMUNITY PUBLIC LIBRARY
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Leetonia Community Public Library, Columbiana County (the Library's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.



Mary Taylor, CPA

Auditor of State

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

Leetonia Community Public Library
Columbiana County
PO Box 111
Leetonia, Ohio 44431

To the Board of Library Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Leetonia Community Public Library, Columbiana County, (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 17, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 17, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Leetonia Community Public Library
Columbiana County
PO Box 111
Leetonia, Ohio 44431

To the Board of Library Trustees:

Compliance

We have audited the compliance of the Leetonia Community Public Library, Columbiana County (the Library) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Library's major federal program. The Library's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Library's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Library's compliance with those requirements.

In our opinion, the Leetonia Community Public Library complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2009-002 and 2009-003.

Internal Control Over Compliance

The Library's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2009-002 and 2009-003 to be material weaknesses.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Library Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 17, 2009

**LEETONIA COMMUNITY PUBLIC LIBRARY
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA 10.766 Community Facilities Loan
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding 2009-001

Material Weakness

Finding Number 2009-003 describes deficiencies in the Board's ability to create the proper special funds and make the required transfers to the Library Facilities Note Retirement Fund or the Reserve Fund. We believe this finding also represents a material weakness under 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*.

3. FINDINGS FOR FEDERAL AWARDS

1. USDA Reporting Requirements

Finding Number	2009-002
CFDA Title and Number	Community Facilities Loan, CFDA 10.766
Federal Award Number / Year	2009
Federal Agency	USDA
Pass-Through Agency	N/A

Noncompliance-Reporting/Material Weakness

On February 5, 2008, the Leetonia Community Public Library entered into a Community Facilities Loan with the United States Department of Agriculture (USDA) for \$800,000. The money was received from USDA on October 13, 2009. On October 14, 2009, the Library received a Borrower Responsibilities letter from the USDA. Per the Quarterly Reports section of the letter, "Quarterly reports are required for the first year of operation for all new borrowers. Your quarterly reports will be due December 31, 2009, March 31, 2010, June 30, 2010 and September 30, 2010."

The Library did not submit the quarterly report to the USDA for the quarter ending December 31, 2009.

We recommend the Library establish policies and procedures to ensure that USDA reporting requirements for the Library Facilities Notes are satisfied.

2. Failure to Establish Library Facilities Note Special Funds

Finding Number	2009-003
CFDA Title and Number	Community Facilities Loan, CFDA 10.766
Federal Award Number / Year	2009
Federal Agency	USDA
Pass-Through Agency	N/A

Noncompliance – Special Tests and Provisions/Material Weakness

On February 5, 2008, the Leetonia Community Public Library entered into a Community Facilities Loan with the United States Department of Agriculture (USDA) for \$800,000. The money was received from USDA on October 13, 2009. USDA Form RD 1942-47 (loan resolution) states "Now therefore in consideration of the premises the Association (Library) hereby resolves: to have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government." The Library passed resolution #092909 to satisfy this requirement.

2. Failure to Establish Library Facilities Note Special Funds – (Continued)

Per resolution #092909 Section (3) Paragraphs (A) and (B) "The Clerk of the Board of Library Trustees is hereby directed to create the following funds in the custody of the Board of Library Trustees (the "Special Funds") into which the proceeds of the Notes and the Revenues shall be deposited and used for the purposes indicated, and for no other purposes, which funds shall be established and maintained except as otherwise provided so long as any Notes remain unpaid:

A. Project Fund. All proceeds of the Notes shall be deposited in a fund hereby established to pay costs of the Project (the "Project Fund") and withdrawn in accordance with Ohio law only for the purpose of paying costs of the Project. When the Project has been completed, any remaining proceeds of the Notes shall be deposited in the Library Facilities Note Retirement Fund (as hereinafter defined).

B. Revenue Fund. Notwithstanding any other resolution or action to the contrary, at the time of each distribution (by advance, settlement or otherwise) of the Revenues to the Board of Library Trustees, the Revenues shall, immediately upon receipt by the Board of Library Trustees, be set aside into the separate fund hereby established (the "Revenue Fund"), and monies so deposited in the Revenue Fund shall be expended and used only in the manner and order as follows:

(1) Library Facilities Note Retirement Fund. There shall be transferred each month from the Revenue Fund, and deposited in a separate fund hereby established (the "Library Facilities Note Retirement Fund"), a sum equal to at least one-twelfth (1/12)(or such larger amounts as necessary) of the sum of the amount of interest due on the next ensuing interest payment date with respect to all Notes outstanding plus the amount necessary to provide for payment of the next ensuing principal maturity of the Notes outstanding. If for any reason there is a failure to make such monthly deposit, then an amount equal to the deficiency shall be set aside and deposited in the Library Facilities Note Retirement Fund from the Revenues on deposit in the Revenue Fund in the ensuing month or months. Whenever there shall accumulate in the Library Facilities Note Retirement Fund an amount equal to the requirements during the next twelve (12) months for paying the principal of Notes falling due and interest on all outstanding Notes, such deposits may be discontinued.

(2) Reserve Fund. There shall be transferred from the Revenue Fund and deposited in a special fund hereby established (the "Reserve Fund") , the sum of \$439 each month until there is accumulated in such fund the sum of \$52,678 (the "Minimum Reserve"), after which no further deposits need be made into such fund except to replace withdrawals. With the approval of the United States of America, the Minimum Reserve shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the Project which may be caused by an unforeseen catastrophe, and when necessary for the purpose of making payments of principal and interest on the Notes hereby authorized if the amount in the Library Facilities Note Retirement Fund is not sufficient to meet such payments. Whenever disbursements are made from such fund, monthly payments shall be resumed until there is again accumulated in such fund an amount equal to the Minimum Reserve, at which time payments may again be discontinued.

(3) Surplus Fund. Each month, all Revenues in the Revenue Fund remaining after making deposits required above, shall be retained in a special fund hereby created, and shall be used to pay the principal of the interest on the Notes to the extent moneys in the Library Facilities Note Retirement Fund are insufficient, and otherwise may be used for making extensions or improvements to the Project, redeeming outstanding Notes prior to maturity, paying other obligations issued to finance improvements to the Project, paying lawful expenses of the Board of Library Trustees, and any other use of the Revenues authorized by law.

2. Failure to Establish Library Facilities Note Special Funds – (Continued)

The Library failed to create the special funds as of December 31, 2009. In addition, the Library did not make the required transfers to the Library Facilities Note Retirement Fund or the Reserve Fund.

We recommend the Library create the special funds as required and begin funding the Library Facilities Note Retirement Fund and the Reserve Fund.

Official's Response: A response from Officials to the findings reported above can be found in the Corrective Action Plan.

LEETONIA COMMUNITY PUBLIC LIBRARY
COLUMBIANA COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
December, 31, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-002	The backlog of quarterly reports will be brought up to date by the end of the year.	December 31, 2010	Seth A. Smith, Director/ Fiscal Officer
2009-003	The appropriate funds will be created and the necessary transfers corrected by the end of the year.	December 31, 2010	Seth A. Smith, Director/ Fiscal Officer



Mary Taylor, CPA
Auditor of State

LEETONIA COMMUNITY PUBLIC LIBRARY

COLUMBIANA 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
SEPTEMBER 30, 2010