



**Auditor of State
Betty Montgomery**

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Greenville Public Library
Darke County
520 Sycamore Street
Greenville, Ohio 45331

To the Board of Directors:

We have audited the accompanying financial statements of the Greenville Public Library, Darke County, (the Library) as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 9, 2003

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants-In-Aid	\$857,392			\$857,392
Patron Fines and Fees	27,485			27,485
Earnings on Investments	25,229		848	26,077
Contributions, Gifts, and Donations	2,239		55,242	57,481
Miscellaneous Receipts	2,534			2,534
Total Cash Receipts	914,879		56,090	970,969
Cash Disbursements:				
Salaries and Benefits	432,757			432,757
Purchased and Contracted Services	104,010			104,010
Library Materials and Supplies	181,568			181,568
Supplies	48,107			48,107
Other	4,317			4,317
Capital Outlay	20,000			20,000
Total Cash Disbursements	790,759			790,759
Total Cash Receipts Over Cash Disbursements	124,120		56,090	180,210
Other Financing Receipts/(Disbursements):				
Other Financing Sources	889			889
Transfers-In		100,000		100,000
Transfers-Out	(100,000)			(100,000)
Total Other Financing Receipts/(Disbursements)	(99,111)	100,000		889
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	25,009	100,000	56,090	181,099
Fund Cash Balances, January 1	329,859	523,844	7,040	860,743
Fund Cash Balances, December 31	\$354,868	\$623,844	\$63,130	\$1,041,842

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants-In-Aid	\$880,297			\$880,297
Patron Fines and Fees	30,084			30,084
Earnings on Investments	42,038			42,038
Contributions, Gifts, and Donations	11,523			11,523
Miscellaneous Receipts	4,857			4,857
	<u>968,799</u>			<u>968,799</u>
Cash Disbursements:				
Salaries and Benefits	398,680			398,680
Purchased and Contracted Services	88,009			88,009
Library Materials and Supplies	195,181			195,181
Supplies	43,562			43,562
Other	4,503			4,503
	<u>729,935</u>			<u>729,935</u>
Total Cash Receipts Over Cash Disbursements	<u>238,864</u>			<u>238,864</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		200,000		200,000
Transfers-Out	(200,000)			(200,000)
	<u>(200,000)</u>	<u>200,000</u>		
Total Other Financing Receipts/(Disbursements)	<u>(200,000)</u>	<u>200,000</u>		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	38,864	200,000		238,864
Fund Cash Balances, January 1	<u>290,995</u>	<u>323,844</u>	<u>7,040</u>	<u>621,879</u>
Fund Cash Balances, December 31	<u>\$329,859</u>	<u>\$523,844</u>	<u>\$7,040</u>	<u>\$860,743</u>

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Greenville Public Library, Darke County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is a school district library. The Library is directed by a seven-member Board of Trustees appointed by the Greenville City School District Board of Education. The Library provides the community with general services regarding books, periodicals, videos, and other various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and 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 disbursements, respectively.

The Library has two checking accounts and a savings account. The certificates of deposit and donated common stock are valued at cost.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following significant capital project fund:

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building and Repair Fund – The Library utilizes this fund to accumulate funds for the future construction and repair of facilities.

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Library had the following significant fiduciary funds:

Finnarn Trust Fund - Expendable trust fund. This fund receives monies from donations from the Finnarn Family, which are kept in trust to be used for quality type books dealing with horses or agriculture on prior approval of the Finnarns.

McCabe Trust Fund – Expendable trust fund. This fund received monies from a donation by the McCabe Family, which are kept in trust to be used for any appropriate Library expense.

Schafer Trust Fund – Expendable trust fund. This fund received stock and dividends from the Estate of Alice M. Schafer, which are kept in trust to be used for any appropriate Library expense.

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 fund level of control.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2002	2001
Demand deposits	\$71,861	\$69,413
Certificates of deposit	914,739	791,330
Total deposits	986,600	860,743
Common stock (at cost, fair value was \$55,242 at December 31, 2002.)	55,242	
Total investments	55,242	
Total deposits and investments	\$1,041,842	\$860,743

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Library held 558 shares of donated Park National Corporation stock. The financial institution maintains records identifying the Library as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$932,535	\$915,768	(\$16,767)
Capital Projects		100,000	100,000
Fiduciary		56,090	56,090
Total	\$932,535	\$1,071,858	\$139,323

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$996,012	\$890,759	\$105,253
Capital Projects	791,330		791,330
Fiduciary	2,040		2,040
Total	\$1,789,382	\$890,759	\$898,623

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$885,990	\$968,799	\$82,809
Capital Projects	35,000	200,000	165,000
Total	\$920,990	\$1,168,799	\$247,809

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$954,440	\$929,935	\$24,505
Capital Projects	586,310		586,310
Fiduciary	2,040		2,040
Total	\$1,542,790	\$929,935	\$612,855

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

5. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Library has paid all contributions required through December 31, 2002.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Greenville Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Commercial Crime;
- Commercial Computer liability;
- Inland Marine;
- Equipment Breakdown; and
- Employee Dishonesty liability.

7. SUBSEQUENT EVENTS

A. Library Addition/Renovation

The Library has worked with an architectural firm for a future building addition and renovation. The total estimated project cost is \$2.4 million. This project is expected to be financed through the Capital Projects Fund balance, fundraisers, donations, and a small loan amount. The commencement of the project will be based on the results of the fundraisers.

B. Estate of Alice B. Schafer

The Library received \$41,224 from the Estate of Alice B. Schafer on May 23, 2003. The Library plans to use this money for the future building addition and renovation project.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Greenville Public Library
Darke County
520 Sycamore Street
Greenville, Ohio 45331

To the Board of Directors:

We have audited the financial statements of the Greenville Public Library, Darke County, (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 9, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated July 9, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the accompanying schedule of findings as item 2002-001 is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, we have reported to management of the Library in a separate letter dated July 9, 2003.

This report is intended solely for the information and use of the audit committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 9, 2003

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Material Weakness:

Financial Reporting

Our audit of the Library's financial activity and annual reports filed with the Auditor of State of Ohio for 2002 and 2001 indicated the following misstatements to the amounts reported:

- 1) In 2002, the Library received \$55,242 in donated stock from the Estate of Alice B. Schafer. This stock amount was not presented on the financial statements.
- 2) The Library's January 1, 2001, beginning balances in the General Fund and Expendable Trust Fund did not agree to the December 31, 2000, audit report balances by \$4,842 since the adjustments agreed to by the Treasurer were not made.
- 3) In 2002, \$78 in revenue from fines was improperly posted to the Expendable Trust Fund.
- 4) In 2002 and 2001, there were \$200,000 and \$100,000, respectively, in transfers-out shown for the General Fund, but no transfers-in were presented.
- 5) In 2002, \$15,893 in expenditures for architectural services was improperly posted as Other Financing Uses instead of Purchased and Contractual Services. Also, expenditures for architect and painting services of \$16,250 in 2002 and 2001 were recorded as Supplies instead of Purchased and Contract Services.
- 6) There was a \$97,320 double posting of the June 2002 Grants-in-Aid receipt and in 2001, \$786 in fines revenue were improperly posted as Grants-in-Aid.
- 7) Checking account interest of \$173 was double posted in one instance and \$3,287 in interest from a certificate of deposit interest was not posted resulting in an overall understatement of Earnings on Investments.
- 8) Dividends earned from donated stock in 2002 of \$848 were improperly posted as Miscellaneous Revenue in the General Fund understating Earnings on Investments.
- 9) In 2002, there was no combining statement presented showing the individual activity of the three Expendable Trust Funds.
- 10) Refunds from the Bureau of Worker's Compensation in 2002 of \$889 were improperly posted to Miscellaneous Revenue.

The accompanying statements for 2002 and 2001 were adjusted to reflect the correct presentation of the items listed above.

**FINDING NUMBER 2002-001
(Continued)**

To provide accurate annual financial reports, the Library Clerk should:

- 1) Record the donated stock Contributions, Gifts, and Donations within the Expendable Trust Fund.
- 2) Promptly enter all audit adjustments into the UAN system.
- 3) Record all fine revenue in the General Fund.
- 4) Record both the transfer in and out amounts.
- 5) Record expenditures for architectural services and painting as Purchased and Contractual Services.
- 6) Post Grants-In-Aid revenue accurately when received.
- 7) Review entries to prevent the posting of interest twice, and record all interest promptly when earned.
- 8) Post dividends revenue from stock as Earnings on Investment.
- 9) Present each trust fund individually on a combining financial statement to distinguish the fund's revenue, expenditures, and fund balances.
- 10) Record refunds from the Bureau of Worker's Compensation as Other Financing Sources.

The Clerk should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted properly for correct presentation.



**Auditor of State
Betty Montgomery**

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GREENVILLE PUBLIC LIBRARY

DARKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2003**