



Mary Taylor, CPA  
Auditor of State



**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

Brown Memorial Library  
Preble County  
101 South Commerce Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

September 19, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Brown Memorial Library  
Preble County  
101 South Commerce Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Brown Memorial Library, Preble County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, 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.

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

**Mary Taylor, CPA**  
Auditor of State

September 19, 2008



**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Library and Local Government Support	\$122,462		\$122,462
Patron Fines and Fees	6,626		6,626
Contributions, Gifts and Donations	1,025		1,025
Earnings on Investments	9,918		9,918
	<u>140,031</u>	<u>0</u>	<u>140,031</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Salaries	82,000		82,000
Employee Fringe Benefits	10,212		10,212
Purchased and Contractual Services	25,949		25,949
Library Materials and Information	8,496		8,496
Supplies	3,451		3,451
Other	2,754		2,754
Capital Outlay	6,925		6,925
	<u>139,787</u>	<u>0</u>	<u>139,787</u>
<b>Total Cash Disbursements</b>			
	<u>139,787</u>	<u>0</u>	<u>139,787</u>
<b>Total Receipts Over Disbursements</b>	<u>244</u>	<u>0</u>	<u>244</u>
Fund Cash Balances, January 1	121,749	117,291	239,040
<b>Fund Cash Balances, December 31</b>	<b><u>\$121,993</u></b>	<b><u>\$117,291</u></b>	<b><u>\$239,284</u></b>

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Library and Local Government Support	\$122,462		\$122,462
Patron Fines and Fees	5,691		5,691
Contributions, Gifts and Donations	4,677		4,677
Earnings on Investments	8,753		8,753
Miscellaneous	134		134
	<u>141,717</u>	<u>0</u>	<u>141,717</u>
<b>Cash Disbursements:</b>			
Current:			
Salaries	78,187		78,187
Employee Fringe Benefits	10,247		10,247
Purchased and Contractual Services	28,060		28,060
Library Materials and Information	12,700		12,700
Supplies	5,281		5,281
Other	5,514		5,514
Capital Outlay	2,582		2,582
	<u>142,571</u>	<u>0</u>	<u>142,571</u>
Total Receipts (Under) Disbursements	<u>(854)</u>	<u>0</u>	<u>(854)</u>
Fund Cash Balances, January 1	<u>122,603</u>	<u>117,291</u>	<u>239,894</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$121,749</u></u></b>	<b><u><u>\$117,291</u></u></b>	<b><u><u>\$239,040</u></u></b>

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Brown Memorial Library, Preble County, Ohio (the Library), as a body corporate and politic. The Library is directed by a six-member Board of Trustees appointed by the Village of Lewisburg Council. The Library provides the community with various educational and literary resources. The Library is a related organization to the Village of Lewisburg; see Note 7.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

**C. Cash and Deposits**

The Library values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. Equity in Pooled Cash and Deposits**

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

	2007	2006
Demand deposits	\$43,862	\$53,083
Certificates of deposit	195,422	185,957
Total deposits	\$239,284	\$239,040

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,200	\$140,031	\$11,831
Capital Projects	0	0	0
Total	\$128,200	\$140,031	\$11,831

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,000	\$139,787	\$53,213
Capital Projects	0	0	0
Total	\$193,000	\$139,787	\$53,213

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity (Continued)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,200	\$141,717	\$13,517
Capital Projects	2,750	0	(2,750)
Total	\$130,950	\$141,717	\$10,767

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$154,000	\$142,571	\$11,429
Capital Projects	0	0	0
Total	\$154,000	\$142,571	\$11,429

**4. Grants-In-Aid**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on 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 Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007.

**6. Risk Management**

The Library has obtained commercial insurance for the following risks:

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

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. Related Organization**

The Library is a related organization to the Village of Lewisburg. The Village Council is responsible for appointing the trustees of the Library Board; however, the Village Council cannot influence the Library's operation nor does the Village represent a potential financial benefit or burden to the Library.

**8. Related Party Transaction**

The Library Board had electrical work performed by the husband of a Co-Director of the Library during 2006 and 2007. The Library paid the company \$45 in 2007 and \$585 in 2006 for these services.



# 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*

Brown Memorial Library  
Preble County  
101 South Commerce Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the financial statements of Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated September 19, 2008 wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated September 19, 2008.

#### **Compliance and Other Matters**

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

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated September 19, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

September 19, 2008



**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Library lacked management oversight as illustrated by the following:

- The Library did not post the 2007 estimated resources of \$128,200 in the General Fund as well as the 2006 estimated resources of \$128,200 (General Fund) and \$2,750 (Capital Projects Fund) as listed on the County Budget Commission Certificate in the budgetary receipt ledger.
- The amounts listed per line item on the Appropriation Resolution were not accurately reflected in the budgetary appropriation ledger for 2007. In total \$193,000 was listed on the Appropriation Resolution for the General Fund and a total of \$196,000 was posted to the budgetary appropriation ledger, for a difference of \$3,000.
- The Library received \$5,691.51 in 2006 and \$6,626.20 in 2007 for patrons, fines, and fees. This revenue line item is comprised of monies received from library patrons for overdue fines, lost material charges, and revenue from the copier, fax, and printer. The Library did not issue and retain duplicate receipts related to this revenue line item.
- The beginning fund balances for 2006 did not reflect a prior audit adjustment of \$2,157.73 from the Capital Projects Fund to the General Fund.

An audit adjustment was made to the accompanying financial statements for the last above-listed item.

The lack of proper management oversight could result in violations of budgetary law, material misstatements, and possible negative fund balances for the Library. Failure to issue duplicate receipts limits management's ability to verify that all monies that have been received by the Library have been deposited, and increases the risk that errors, fraud, or theft could occur and not be detected by management in a timely manner.

To improve recordkeeping and accountability of Library financial activity we recommend that the Library Fiscal Officer post the amounts listed on the official budgetary documents such as the County Budget Commission Certificate and the Appropriation Resolution to the receipts and appropriation ledgers. This would help the Library to monitor receipts and expenditures more carefully and to assure compliance with budgetary law. We also recommend that the Library maintain complete and accurate records, including but not limited to duplicate receipts, for revenue received in the patrons, fines, and fees revenue line item. We recommend that the Library properly record audit adjustments.

**This page intentionally left blank.**

**BROWN MEMORIAL LIBRARY  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Admin Code Section 117-2-02(A): Failure to post appropriations and estimated receipts	No	Partially Corrected – Reissued as part of Finding 2007-001
2005-002	Ohio Admin Code Section 117-8-02: Expenditures exceeded appropriations	Yes	





**Mary Taylor, CPA**  
Auditor of State

**BROWN MEMORIAL LIBRARY**

**PREBLE 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  
OCTOBER 16, 2008**