

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Greenville Public Library
520 Sycamore Street
Greenville, Ohio 45331

We have reviewed the *Independent Accountants' Report* of the Greenville Public Library, Darke County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 7, 2005

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GREENVILLE PUBLIC LIBRARY
DARKE COUNTY

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VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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, 2004 and December 31, 2003. 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 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.

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 American (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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or their changes in financial position for the year then ended.

Also, 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 August 26, 2005, 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.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

August 26, 2005

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, 2004

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Capital Projects	Expendable Trust	
Cash Receipts:				
Government Grants-In-Aid	\$ 916,644	\$ 0	\$ 0	\$ 916,644
Patrons Fines and Fees	26,071	0	0	26,071
Earnings on Investments	24,108	57	1,964	26,129
Contributions, Gifts, and Donations	3,485	51,413	0	54,898
Miscellaneous Receipts	1,410	0	0	1,410
 Total Cash Receipts	 971,718	 51,470	 1,964	 1,025,152
 Cash Disbursements:				
Salaries and Benefits	515,739	0	0	515,739
Purchased and Contracted Services	99,175	0	0	99,175
Library Materials and Supplies	187,185	0	0	187,185
Supplies	47,246	0	0	47,246
Other	2,930	0	0	2,930
Capital Outlay	59,500	0	0	59,500
 Total Cash Disbursements	 911,775	 0	 0	 911,775
 Total Cash Receipts Over Cash Disbursements	 59,943	 51,470	 1,964	 113,377
 Fund Cash Balances, January 1	 354,957	 623,844	 106,206	 1,085,007
 Fund Cash Balances, December 31	 \$ 414,900	 \$ 675,314	 \$ 108,170	 \$ 1,198,384

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, 2003

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants-In-Aid	\$ 896,085	\$ 0	\$ 0	\$ 896,085
Patrons Fines and Fees	27,404	0	0	27,404
Earnings on Investments	21,107	0	1,852	22,959
Contributions, Gifts, and Donations	3,840	0	41,224	45,064
Miscellaneous Receipts	6,116	0	0	6,116
	<u>954,552</u>	<u>0</u>	<u>43,076</u>	<u>997,628</u>
Total Cash Receipts				
Cash Disbursements:				
Salaries and Benefits	480,000	0	0	480,000
Purchased and Contracted Services	157,645	0	0	157,645
Library Materials and Supplies	201,980	0	0	201,980
Supplies	71,000	0	0	71,000
Other	6,622	0	0	6,622
Capital Outlay	37,216	0	0	37,216
	<u>954,463</u>	<u>0</u>	<u>0</u>	<u>954,463</u>
Total Cash Disbursements				
Total Cash Receipts Over Cash Disbursements	<u>89</u>	<u>0</u>	<u>43,076</u>	<u>43,165</u>
Fund Cash Balances, January 1	<u>354,868</u>	<u>623,844</u>	<u>63,130</u>	<u>1,041,842</u>
Fund Cash Balances, December 31	<u>\$ 354,957</u>	<u>\$ 623,844</u>	<u>\$ 106,206</u>	<u>\$ 1,085,007</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, 2004 AND 2003

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 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.

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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.

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, function, and object level of control.

A summary of 2004 and 2003 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.

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:

	2004	2003
Demand deposits	\$ 133,806	\$ 94,496
Certificates of deposit	1,008,712	935,136
Total deposits	<u>1,142,518</u>	<u>1,029,632</u>
Common stock	55,733	55,242
Total investments	<u>55,733</u>	<u>55,242</u>
Cash on Hand	133	133
Total Deposits and Investments	<u><u>1,198,384</u></u>	<u><u>1,085,007</u></u>

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 at December 31, 2003, with a fair market value of \$60,130. In 2004, dividends were reinvested and a stock split occurred. Total shares held at December 31, 2004, was 589 shares with the fair market value of \$79,923. The financial institution maintains records identifying the Library as owner of these securities.

GREENVILLE PUBLIC LIBRARY
 DARKE COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 919,000	\$ 971,718	\$ (52,718)
Capital Projects	0	51,470	(51,470)
Fiduciary	0	1,964	(1,964)
Total	<u>\$ 919,000</u>	<u>\$ 1,025,152</u>	<u>\$ (106,152)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 960,621	\$ 911,775	\$ 48,846
Capital Projects	935,155	0	935,155
Fiduciary	113,869	0	113,869
Total	<u>\$ 2,009,645</u>	<u>\$ 911,775</u>	<u>\$ 1,097,870</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,039,221	\$ 954,552	\$ 84,669
Capital Projects	1,000	0	1,000
Fiduciary	1	43,076	(43,075)
Total	<u>\$ 1,040,222</u>	<u>\$ 997,628</u>	<u>\$ 42,594</u>

2003 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,053,179	\$ 954,463	\$ 98,716
Capital Projects	914,739	0	914,739
Fiduciary	2,040	0	2,040
Total	<u>\$ 1,969,958</u>	<u>\$ 954,463</u>	<u>\$ 1,015,495</u>

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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 any additional revenues the Library receives.

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their wages. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The Library has paid all contributions required through December 31, 2004.

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.

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

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

To the Board of Trustees:

We have audited the financial statements of the Greenville Public Library, Darke County, (the Library), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 26, 2005, wherein we noted the Library follows the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 do not believe the reportable condition described above is a material weakness. In a separate letter to the Library's management dated August 26, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated August 26, 2005

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

August 26, 2005

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Material Weakness:

Financial Reporting

Our audit of the Library's financial activity and annual reports filed with the Auditor of State of Ohio for 2004 and 2003 indicated the following misstatements to the amounts reported

1. In 2003, \$56,233 in expenditures for architectural services was improperly posted as Other Financing Uses and Transfers Out instead of Contractual Services.
2. Contribution from the Schafer Estate in the amount of \$55,242 was recorded twice. Once in 2002 per audit adjustment per AOS, and in 2003 as a receipt.
3. In 2004 and 2003 investment earnings for the expendable trust was recorded in the general fund.
4. In 2004 and 2003, reclassifications were needed in miscellaneous and fines revenue accounts
5. There was no combining statement presented showing the individual activity of the three Expendable Trust Funds for 2004 or 2003.
6. In 2004, an additional investment into a certificate of deposit was improperly posted as a transfer out.
7. In 2004, a bank account was established for fund raiser activities for the building fund. Contributions of \$51,413 and interest of \$57 was not properly presented on the Library's financial statements.
8. Cash and Investments were not accurately reported on the financial statement.

The accompanying statements for 2004 and 2003 were adjusted to reflect the correct presentation of the items listed above.

To provide accurate annual financial reports, the Library 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. Cash and Investments should agree to reconciled balances of bank statements, certificates of deposit and investment balances.

GREENVILLE PUBLIC LIBRARY
DARKE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected Significantly Different Corrective Action taken; of Finding no longer Valid; Explain:
2002-001	Financial Reporting: Improper postings to accounts	No	Not corrected; reissued as Finding number 2004-001



**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
OCTOBER 20, 2005**