



**Auditor of State
Betty Montgomery**

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

September 22, 2006

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**Auditor of State
Betty Montgomery**

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, 2005 and 2004. 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 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 years ended December 31, 2005 and 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, 2005 and 2004, 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, 2005 and 2004, 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 years ended December 31, 2005 and 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 September 22, 2006, 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.



Betty Montgomery
Auditor of State

September 22, 2006

**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, 2005**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Other Government Grants in Aid	\$122,462		\$122,462
Patron Fines and Fees	5,557		5,557
Earnings on Investments	5,088		5,088
Contributions, Gifts and Donations	890		890
Miscellaneous Receipts	316		316
	<u>134,313</u>	<u>0</u>	<u>134,313</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	86,403		86,403
Purchased and Contracted Services	23,092		23,092
Other Objects	20,643		20,643
Capital Outlay	3,662		3,662
	<u>133,800</u>	<u>0</u>	<u>133,800</u>
Total Cash Receipts Over Cash Disbursements	<u>513</u>	<u>0</u>	<u>513</u>
Fund Cash Balances, January 1	<u>122,090</u>	<u>117,291</u>	<u>239,381</u>
Fund Cash Balances, December 31	<u>\$122,603</u>	<u>\$117,291</u>	<u>\$239,894</u>

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, 2004**

	General	Capital Projects	Totals (Memorandum Only)
Cash Receipts:			
Other Government Grants in Aid	\$121,857		\$121,857
Patron Fines and Fees	7,435		7,435
Earnings on Investments	2,158		2,158
Contributions, Gifts and Donations	720		720
 Total Cash Receipts	 132,170	 0	 132,170
Cash Disbursements:			
Current:			
Salaries and Benefits	76,059		76,059
Purchased and Contracted Services	25,149		25,149
Other Objects	19,794		19,794
Capital Outlay	989		989
 Total Cash Disbursements	 121,991	 0	 121,991
 Total Cash Receipts Over Cash Disbursements	 10,179	 0	 10,179
Fund Cash Balances, January 1	111,911	117,291	229,202
Fund Cash Balances, December 31	\$122,090	\$117,291	\$239,381

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, 2005 AND 2004**

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 Village of Lewisburg is a related organization to the Library, see Note 8.

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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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 deposits that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund accounts for 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 object level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

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.

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 follows:

	2005	2004
Demand deposits	\$62,152	\$66,131
Certificates of deposit	177,742	173,250
Total deposits	\$ 239,894	\$ 239,381

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, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,575	\$134,313	\$12,738
Capital Projects	1,850		(1,850)
Total	\$123,425	\$134,313	\$10,888

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,425	\$133,800	(\$10,375)
Capital Projects			0
Total	\$123,425	\$133,800	(\$10,375)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,575	\$132,170	\$10,595
Capital Projects	3,750		(3,750)
Total	\$125,325	\$132,170	\$6,845

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,129	\$121,991	(\$11,862)
Capital Projects			0
Total	\$110,129	\$121,991	(\$11,862)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$10,375 for the year ended December 31, 2005 and by \$11,862 for the year ended December 31, 2004.

4. OTHER GOVERNMENT 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 SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for 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.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

6. RISK MANAGEMENT

Commercial Insurance

The Brown Memorial Library has obtained commercial insurance for the following risks:

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

7. RELATED PARTY TRANSACTIONS

The Library had electrical work performed by the husband of a Co-Director of the Library. The Library purchased electrical services from this company for \$153 in 2005 and for \$140 in 2004.

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RELATED ORGANIZATION

The Village of Lewisburg is a related organization to the Library. 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.

9. COMPLIANCE

Contrary to Ohio law, the Library did not post appropriations or estimated receipts.



Auditor of State Betty Montgomery

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 the Brown Memorial Library, Preble County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 22, 2006, 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 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

A material weaknesses 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 material weaknesses. However, we do not believe the reportable conditions described above are material weakness. In a separate letter to the Library's management dated September 22, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-001 and 2005-002. In a separate letter to the Library's management dated September 22, 2006, we reported another matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 22, 2006

**BROWN MEMORIAL LIBRARY
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation/Reportable Condition

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related and contractual requirements and prepare financial statements. Per Ohio Admin. Code, Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The Library does not post appropriations for each appropriation account nor does the Library post estimated receipts to its receipts ledger.

Failure to post appropriations to each appropriation account can result in negative fund balances. Failure to post estimated receipts and to monitor revenue can result in collected revenue due to the Library.

We recommend the Library post appropriations from the annual appropriations resolution to the appropriations ledger and maintain a running balance of remaining appropriation. The Library should also post estimated receipts to the receipts ledger. Management should monitor the process to verify that all receipts are properly collected and booked.

We also reported this matter in the management letter of our audit of the 2002 and 2003 financial statements.

FINDING NUMBER 2005-002

Noncompliance Citation/Reportable Condition

Ohio Admin. Code, Section 117-8-02, requires the Library's legislative body to adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level at which spending in excess of appropriated amounts would be a violation of law.

The Library spent \$133,800 which exceeded appropriated amounts of \$123,425 in the General Fund for 2005 by \$10,375. The Library spent \$121,991 which exceeded appropriated amounts of \$110,129 in the General Fund for 2004 by \$11,862.

Failure to appropriate expenditures can result in overspending funds and negative cash balances. We recommend the Library implement procedures to monitor expenditures and appropriations. Expenditures should not exceed the appropriations at the legal level of control.

Officials' Response

We did not receive a response from Officials to the findings reported above.

BROWN MEMORIAL LIBRARY
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Admin Code Section 117-2-02(A): Failure to post appropriations and estimated receipts	No	Not Corrected; reissued as Finding Number 2005-001.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 9, 2006**