

GREENVILLE PUBLIC LIBRARY

DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Greenville Public Library, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2007 through December 31, 2008. 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 Auditors' 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 Auditors' 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 2, 2009

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**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

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

INDEPENDENT AUDITORS' 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, 2008 and December 31, 2007. 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 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.

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 require 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 librarys 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, 2008 and 2007, 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, 2008 and 2007, 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 the Greenville Public Library, Darke County, as of December 31, 2008 and 2007, 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 determines is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2009, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

July 7, 2009

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**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts: | | | | |
| Government Grants-In-Aid | \$ 938,515 | \$ 0 | \$ 0 | \$ 938,515 |
| Patrons Fines and Fees | 14,455 | 0 | 0 | 14,455 |
| Contributions, Gifts, and Donations | 3,479 | 0 | 171,758 | 175,237 |
| Earnings on Investments | 4,624 | 619 | 0 | 5,243 |
| Miscellaneous Receipts | 12,060 | 0 | 0 | 12,060 |
| Total Cash Receipts | <u>973,133</u> | <u>619</u> | <u>171,758</u> | <u>1,145,510</u> |
| Cash Disbursements: | | | | |
| Salaries and Benefits | 563,551 | 0 | 0 | 563,551 |
| Purchased and Contracted Services | 113,491 | 0 | 0 | 113,491 |
| Library Materials and Supplies | 98,123 | 0 | 0 | 98,123 |
| Supplies | 29,552 | 0 | 0 | 29,552 |
| Other | 16,051 | 0 | 0 | 16,051 |
| Capital Outlay | 29,183 | 0 | 1,133,197 | 1,162,380 |
| Debt Service: | | | | |
| Redemption of Principal | 26,851 | 0 | 0 | 26,851 |
| Interest and Other Fiscal Charges | 51,284 | 0 | 0 | 51,284 |
| Total Cash Disbursements | <u>928,086</u> | <u>0</u> | <u>1,133,197</u> | <u>2,061,283</u> |
| Total Receipts Over/(Under) Disbursements | <u>45,047</u> | <u>619</u> | <u>(961,439)</u> | <u>(915,773)</u> |
| Other Financing Receipts/Disbursements | | | | |
| Debt Proceeds | 0 | 0 | 800,000 | 800,000 |
| Sale of Fixed Assets | 4,648 | 0 | 0 | 4,648 |
| Other Financing Uses | 0 | (18,553) | 0 | (18,553) |
| Total Other Financing Receipts/Disbursements | <u>4,648</u> | <u>(18,553)</u> | <u>800,000</u> | <u>786,095</u> |
| Excess of Cash and Other Financing Receipts Over/(Under) Cash and Other Financing Disbursements | <u>49,695</u> | <u>(17,934)</u> | <u>(161,439)</u> | <u>(129,678)</u> |
| Fund Cash Balances, January 1 | <u>13,843</u> | <u>115,027</u> | <u>178,831</u> | <u>307,701</u> |
| Fund Cash Balances, December 31 | <u>\$ 63,538</u> | <u>\$ 97,093</u> | <u>\$ 17,392</u> | <u>\$ 178,023</u> |

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash Receipts: | | | | |
| Government Grants-In-Aid | \$ 944,310 | \$ 0 | \$ 0 | \$ 944,310 |
| Patrons Fines and Fees | 14,699 | 0 | 0 | 14,699 |
| Contributions, Gifts, and Donations | 1,248 | 0 | 130,169 | 131,417 |
| Earnings on Investments | 57,280 | 2,386 | 0 | 59,666 |
| Miscellaneous Receipts | 8,557 | 0 | 0 | 8,557 |
| Total Cash Receipts | <u>1,026,094</u> | <u>2,386</u> | <u>130,169</u> | <u>1,158,649</u> |
| Cash Disbursements: | | | | |
| Salaries and Benefits | 581,321 | 0 | 0 | 581,321 |
| Purchased and Contracted Services | 108,702 | 0 | 0 | 108,702 |
| Library Materials and Supplies | 102,872 | 0 | 0 | 102,872 |
| Supplies | 44,589 | 0 | 0 | 44,589 |
| Other | 36,748 | 0 | 0 | 36,748 |
| Capital Outlay | 17,500 | 0 | 1,997,414 | 2,014,914 |
| Total Cash Disbursements | <u>891,732</u> | <u>0</u> | <u>1,997,414</u> | <u>2,889,146</u> |
| Total Receipts Over/(Under) Disbursements | <u>134,362</u> | <u>2,386</u> | <u>(1,867,245)</u> | <u>(1,730,497)</u> |
| Other Financing Receipts/Disbursements | | | | |
| Debt Proceeds | 0 | 0 | 500,000 | 500,000 |
| Transfers In | 0 | 0 | 546,419 | 546,419 |
| Transfers Out | (546,419) | 0 | 0 | (546,419) |
| Total Other Financing Receipts/Disbursements | <u>(546,419)</u> | <u>0</u> | <u>1,046,419</u> | <u>500,000</u> |
| Excess of Cash and Other Financing Receipts Over/(Under) Cash and Other Financing Disbursements | <u>(412,057)</u> | <u>2,386</u> | <u>(820,826)</u> | <u>(1,230,497)</u> |
| Fund Cash Balances, January 1 | <u>425,900</u> | <u>112,641</u> | <u>999,657</u> | <u>1,538,198</u> |
| Fund Cash Balances, December 31 | <u>\$ 13,843</u> | <u>\$ 115,027</u> | <u>\$ 178,831</u> | <u>\$ 307,701</u> |

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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.

Friends of the Greenville Library is a non-profit group that is also associated with the Library. Since the tax exempt status of this organization is based on their support of the Library, information regarding the relationship has been disclosed in 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 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.

At December 31, 2008, the Library has three checking accounts and cash on hand. At December 31, 2007, the Library had three checking accounts, cash on hand, and donated common stock valued at cost.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Finnarn Fund – This fund receives monies from donations from the Finnarn Family, which are to be used for quality type books dealing with horses or agriculture both principal and earnings can be expended.

McCabe 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. Principal and earnings can be expended.

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

3. 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 and the Library expansion project commenced in 2007.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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 2008 and 2007 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 deposits at December 31 follows:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|-------------------|-------------------|
| Demand deposits | \$ 177,890 | \$ 245,032 |
| Investments | 0 | 62,536 |
| Cash on Hand | 133 | 133 |
| Total Deposits and Investments | \$ <u>178,023</u> | \$ <u>307,701</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 658 shares of donated Park National Corporation stock at December 31, 2007, with a fair market value of \$42,166. In 2007, dividends were reinvested. The shares were sold in 2008. The financial institution maintains records identifying the Library as owner of these securities. The loss on sale of securities of \$18,553 has been reflected as other financing uses on the financial statements.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2008 and 2007 was as follows:

2008 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$ 913,272 | \$ 977,781 | \$ 64,509 |
| Special Revenue | 20,000 | 619 | (19,381) |
| Capital Projects | 800,000 | 971,758 | 171,758 |
| Total | <u>\$ 1,733,272</u> | <u>\$ 1,950,158</u> | <u>\$ 216,886</u> |

2008 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|--------------------|
| General | \$ 998,449 | \$ 928,086 | \$ 70,363 |
| Special Revenue | 64,997 | 18,553 | 46,444 |
| Capital Projects | 950,218 | 1,133,197 | (182,979) |
| Total | <u>\$ 2,013,664</u> | <u>\$ 2,079,836</u> | <u>\$ (66,172)</u> |

2007 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|------------------------------|----------------------------|-------------------|
| General | \$ 969,470 | \$ 1,026,094 | \$ 56,624 |
| Special Revenue | 30,000 | 2,386 | (27,614) |
| Capital Projects | 350,000 | 1,176,588 | 826,588 |
| Total | <u>\$ 1,349,470</u> | <u>\$ 2,205,068</u> | <u>\$ 855,598</u> |

2007 Budgeted vs Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|------------------------------------|-----------------------------------|---------------------|
| General | \$ 1,055,298 | \$ 1,438,151 | \$ (382,853) |
| Special Revenue | 94,410 | 0 | 94,410 |
| Capital Projects | 1,390,708 | 1,997,414 | (606,706) |
| Total | <u>\$ 2,540,416</u> | <u>\$ 3,435,565</u> | <u>\$ (895,149)</u> |

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY, (Continued)

Ohio Admin Code Section 117-8-02 requires libraries to appropriate annually, and prohibits expending more than appropriated. The Library's expenditures exceeded appropriations in the general fund by \$382,853 in 2007; and capital projects funds by \$182,979 and \$606,706 in 2008 and 2007, respectively.

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 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 percent and 9.5 percent, respectively, of their gross salaries and the Library contributed an amount equaling 14 percent and 13.85 percent, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2008.

6. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library contracted with Randall Insurance Agency Inc. through the Midwestern Indemnity Company to provide property and casualty coverage with coverage as follows:

| <u>Type of Coverage</u> | <u>Amount of Coverage</u> |
|---|---------------------------|
| General Liability | \$1,000,000 |
| Automobile Liability | 1,000,000 |
| Uninsured Motorist | 1,000,000 |
| Excess/Umbrella Liability | 1,000,000 |
| Workers' Compensation and Employers' Liability | 1,000,000 |
| Building | 7,000,000 |
| Property | 1,800,000 |
| Employee Dishonesty | 15,000 |

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. DEBT

Debt outstanding at December 31, 2007 was as follows:

| | Principal | Interest Rate |
|-------------------------|-------------|------------------|
| Library Renovation Loan | \$1,273,149 | 5.5% |
| Total | \$1,273,149 | |

Amortization of the above debt, including interest, is scheduled as follows:

| Year Ending December 31: | Library Renovation |
|-----------------------------|-----------------------|
| 2009 | \$ 107,350 |
| 2010 | 107,350 |
| 2011 | 107,350 |
| 2012 | 107,350 |
| 2013 | 107,350 |
| 2014-2018 | 536,750 |
| 2019-2023 | 536,750 |
| 2024-2028 | 456,330 |
| Total | \$2,066,580 |

The library renovation project was a multimillion dollar project financed through business and individual donations and bank financing. The library renovation original loan amount \$1,300,000 with Greenville National Bank at 5.5 percent interest. Payments of \$8,946 per month including interest, matures in 2028.

8. FRIENDS OF THE GREENVILLE LIBRARY

Friends of the Greenville Library is a non-profit group that exists and operates toward the betterment of the Greenville Public Library. The organization is legally separate and is not fiscally dependent on the Library. Contributions and membership dues are used to purchase items for the Library and to support programs for children and young adults.

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

**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, Ohio (the Library) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 7, 2009, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting 2008-001 through 2008-002.

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. However, we believe the significant deficiencies described above are also material weaknesses.

We noted certain internal control matters that we reported to the Library's management in a separate letter dated July 7, 2009.

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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as item 2008-002.

We did note certain noncompliance or other matters that we reported to the Library's management in a separate letter dated July 7, 2009.

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

July 7, 2009

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2008-001

Library Books and Records – Significant Deficiency/Material Weakness

During the audit for 2008 and 2007, various adjustments were made to the Library's financial statements. Including fund balance adjustments, elimination of transfers, which were actually just moving cash deposits from one financial institution to another, or cashing in of certificates of deposit, as well as duplicate postings of transactions and corrections of adjusting factors on bank reconciliations.

The Fiscal Officer recorded loan proceeds multiple times and recorded transfers between bank accounts as receipts. To compensate for the resulting overinflated fund balances the Fiscal Officer reported large adjusting factors on the monthly bank reconciliations. The Library's total fund balances at December 31, 2008 and 2007 were overstated by \$900,125 and \$289,738, respectively. Although aware of the misstatements, the Fiscal Officer did not make adjustments to the Library's financial statements and filed the Library's Annual Reports with the overstated fund balances. We also noted the following:

- The Library's accounting system did not include all fundraising collections and deposits, as evidenced by the bank statements
- Miscellaneous, fundraising and loan receipts were incorrectly posted and/or recorded in incorrect amounts
- The sale of stock was recorded as a receipt, overstating fund balance by the original investment.
- Check numbers in the accounting system did not always match actual check numbers
- Various expenditures were posted as transfers, usually relating to capital outlays
- Loan payments were not recorded at the correct amount and principal and interest were not recorded separately
- Expendable trusts, which were reclassified as special revenue funds during the prior audit, were still reported as expendable trusts on the Library's 2008 and 2007 annual reports. In addition, the Library reports these under one fund instead of three separate funds in which each arose.
- The Library's payroll account is not included on the accounting records or annual report
- Collections of contributions and pledges, restricted for the purpose of the library renovation were included in the general fund as non-restricted.
- Certificates of deposits were cashed by requesting certified checks from the bank to vendors, this procedure leaves little or no audit trail, and was not properly reflected in the accounting system of the Library, which partially accounts for the large overstatements in fund balances.
- It was noted that estimated receipts and appropriations as reported on the Library's Annual Report did not match filings with the County Auditor. All estimated resources and appropriations were entered for the general fund in the accounting system.
- Dividends were not recorded on the investment account for 2007 or 2008.

The financial statements were adjusted to reflect the correct presentation of the items listed above.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2008-001, continued

To provide accurate annual financial reports, the Fiscal Officer 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.

Further, the Library should improve its financial reporting process by reconciling ending cash balance to the fund balance reported by the accounting system. Adjusting factors on the bank reconciliation should not be utilized on a routine basis. Any adjusting factors listed on the bank reconciliation represent discrepancies between actual cash balances and those on the accounting system, and should be investigated and corrected each month.

Effective monitoring by management should be implemented and designed to prevent or detect material misstatements. It was noted during the audit, manual information given to the Board did not match that of the accounting system used by the Library, which made monitoring ineffective.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. Such controls may include, but are not limited to, the following reviews by the Board:

- Monthly review of bank statements and reconciliations;
- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits and unusual adjusting factors;
- Planning for adequate separation of duties or compensating controls.
- Ensuring the accounting records are properly designed

Response: Management will work diligently to improve reporting and classification of transactions. We will review our current monitoring system and work to implement changes in 2009. The library renovation project was unusual in nature as compared to our day- to- day activities and transactions. This put an additional reporting burden on the Fiscal Officer. With the renovation complete many of these items will not arise in the future. Fund balance adjustments will be made as presented.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2008-002

Ohio Admin Code Section 117-8-02 requires libraries to appropriate annually, and prohibits expending more than appropriated. During 2008 and 2007, the Library had instances where budgetary expenditures exceeded the amounts appropriated at the legal level of control:

| <u>Fund</u> | <u>Appropriations</u> | <u>Expenditures</u> | <u>Variance</u> |
|-----------------|-----------------------|---------------------|-----------------|
| 2008 | | | |
| Building Repair | \$ 950,218 | \$ 1,133,197 | \$ (182,979) |
| 2007 | | | |
| General | \$ 1,055,298 | \$ 1,438,151 | \$ (382,853) |
| Building Repair | 1,390,708 | 1,997,414 | (606,706) |

The Library should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Library expends or certifies as available more resources than were legally appropriated by the Board of Trustees.

Response: Fiscal Officer and Trustees will monitor budgetary compliance more closely in the future.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain |
|----------------|---|------------------|---|
| 2006-001 | Material weakness - Misclassifications requiring adjustments to the Annual Report and lack of trustee oversight in regards to review of reconciliations and bank statements | No | Reissued as Finding Number 2008-001 |



Mary Taylor, CPA
Auditor of State

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
DECEMBER 15, 2009**