



Dave Yost • Auditor of State

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Shelby County Libraries, Shelby County, (the Library) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Shelby County Libraries, Shelby County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 18, 2013

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Public Library Support	\$1,345,613			\$1,345,613
Patron Fines and Fees	30,780			30,780
Contributions, Gifts and Donations	15,514			15,514
Earnings on Investments	17,782	\$9,621		27,403
Miscellaneous	16,059			16,059
Total Cash Receipts	<u>1,425,748</u>	<u>9,621</u>		<u>1,435,369</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	19,451			19,451
Collection Development and Processing	203,316			203,316
Support Services:				
Facilities Operation and Maintenance	248,320		\$40,000	288,320
Information Services	57,513			57,513
Business Administration	883,185			883,185
Capital Outlay	21,047			21,047
Total Cash Disbursements	<u>1,432,832</u>		<u>40,000</u>	<u>1,472,832</u>
Excess of Receipts Over (Under) Disbursements	<u>(7,084)</u>	<u>9,621</u>	<u>(40,000)</u>	<u>(37,463)</u>
Other Financing Receipts (Disbursements):				
Transfers In	645,715			645,715
Transfers Out		(645,715)		(645,715)
Loss on Investments	(10,770)			(10,770)
Total Other Financing Receipts (Disbursements)	<u>634,945</u>	<u>(645,715)</u>		<u>(10,770)</u>
Net Change in Fund Cash Balances	627,861	(636,094)	(40,000)	(48,233)
Fund Cash Balances, January 1	<u>1,576,430</u>	<u>1,566,496</u>	<u>579,384</u>	<u>3,722,310</u>
Fund Cash Balances, December 31:				
Restricted		930,402		930,402
Committed			539,119	539,119
Assigned	106,553		265	106,818
Unassigned (Deficit)	2,097,738			2,097,738
Fund Cash Balances, December 31	<u>\$2,204,291</u>	<u>\$930,402</u>	<u>\$539,384</u>	<u>\$3,674,077</u>

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

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Public Library Support	\$1,426,361			\$1,426,361
Intergovernmental	1,300	\$22,773		24,073
Patron Fines and Fees	30,101			30,101
Contributions, Gifts and Donations	30,653			30,653
Earnings on Investments	20,830	26,202		47,032
Miscellaneous	36,163			36,163
Total Cash Receipts	<u>1,545,408</u>	<u>48,975</u>		<u>1,594,383</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	11,435	3,650		15,085
Collection Development and Processing	190,774	3,925	\$27,371	222,070
Support Services:				
Facilities Operation and Maintenance	269,881		27,974	297,855
Information Services	14,643			14,643
Business Administration	851,986			851,986
Capital Outlay	23,629	15,197	127,401	166,227
Total Cash Disbursements	<u>1,362,348</u>	<u>22,772</u>	<u>182,746</u>	<u>1,567,866</u>
Excess of Receipts Over (Under) Disbursements	<u>183,060</u>	<u>26,203</u>	<u>(182,746)</u>	<u>26,517</u>
Other Financing Receipts (Disbursements):				
Gain on Investments		9,914		9,914
Loss on Investments	(20,019)			(20,019)
Total Other Financing Receipts (Disbursements)	<u>(20,019)</u>	<u>9,914</u>		<u>(10,105)</u>
Net Change in Fund Cash Balances	163,041	36,117	(182,746)	16,412
Fund Cash Balances, January 1	<u>1,413,389</u>	<u>1,530,379</u>	<u>762,130</u>	<u>3,705,898</u>
Fund Cash Balances, December 31:				
Restricted		1,566,496		1,566,496
Committed			579,119	579,119
Assigned	106,720		265	106,985
Unassigned (Deficit)	1,469,710			1,469,710
Fund Cash Balances, December 31	<u>\$1,576,430</u>	<u>\$1,566,496</u>	<u>\$579,384</u>	<u>\$3,722,310</u>

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

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Shelby County Libraries, Shelby County, (the Library) as a body corporate and politic. The Sidney City School Board appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Blended Component Unit

A blended component unit is where the component unit's governing body is substantially the same as the primary government's governing body or the component unit provides services entirely or almost entirely to the primary government or otherwise exclusively, or almost exclusively benefits the primary government.

The Sidney Library Foundation (the "Foundation") is also associated with the Library. The Foundation meets the criteria of a blended component unit of the Library. The financial activity of the Foundation will be included in the financial statements of the Library as a Special Revenue Fund type. In 2012, the Foundation was dissolved and the remaining fund balance was transferred to the General Fund.

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. 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library's investments in commercial paper, bond funds and equity funds are recorded at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

Library Foundation Fund - This fund is used to account for the operations of the Library Foundation which is under Board control but is not used for the day to day operations of the Library. This constitutes a blended component unit. (See Note 1.A)

Amos Memorial Fund – This fund is used to account for monies from donations from the Amos family which are to be used for future technology or improvements for the Amos Memorial Library.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project fund:

Technology Fund – This fund receives monies from the transfer of funds from the General Fund and donations from citizens and businesses in the surrounding area to be used for purchase of automated equipment and programs for the Library as well as other Capital projects.

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, department, and object level of control.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Library would classify assets as non-spendable when legally or contractually required to maintain the amounts intact.

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54 as required. However, no funds were required to be reclassified as required by the revised fund classification guidance which would affect fund balances previously reported.

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of deposits and investments at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$2,616,084	\$1,727,357
Certificates of deposit	10,000	57,983
Total deposits	<u>2,626,084</u>	<u>1,785,340</u>
STAR Ohio	999,647	353,187
Commercial Paper	48,036	
Money Market Funds		690,772
Equity Funds		489,684
Bond Funds		403,017
Total investments	<u>1,047,683</u>	<u>1,936,660</u>
Cash on Hand	310	310
Total deposits, investments, and cash on hand	<u>\$3,674,077</u>	<u>\$3,722,310</u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

The investments of the Library are redeemable at current fair market value. As of December 31, 2012, the market value of the Library's investments was:

	<u>Market Value</u>
STAR Ohio	\$ 999,647
Commercial Paper	48,036
Total Investments	<u>\$1,047,683</u>

As of December 31, 2011, the market value of the Library's investments was:

	<u>Market Value</u>
Janus Flexible Fund Bond	\$ 214,778
Vanguard Bond Fund	206,579
Mutual Beacon Equity Fund	238,503
T Rowe Price Equity Fund	237,873
Money Market Mutual Fund	690,772
STAR Ohio	353,187
Total Investments	<u>\$1,941,692</u>

4. BUDGETARY ACTIVITY

The Library Board of Trustees adopts budgetary activity for the General Fund only. Budgetary activity for the years ending December 31, 2012 and December 31, 2011 was as follows:

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,396,090	\$2,060,693	\$664,603
Special Revenue		9,621	9,621
Capital Projects			
Total	<u>\$1,396,090</u>	<u>\$2,070,314</u>	<u>\$674,224</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,539,552	\$1,539,385	\$ 167
Special Revenue	647,820	645,715	2,105
Capital Projects	40,265	40,000	265
Total	<u>\$2,227,637</u>	<u>\$2,225,100</u>	<u>\$2,537</u>

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,390,865	\$1,525,389	\$134,524
Special Revenue		58,889	58,889
Capital Projects			
Total	<u>\$1,390,865</u>	<u>\$1,584,278</u>	<u>\$193,413</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,498,916	\$1,469,068	\$29,848
Special Revenue	24,876	22,772	2,104
Capital Projects	183,041	182,746	295
Total	<u>\$1,706,833</u>	<u>\$1,674,586</u>	<u>\$32,247</u>

5. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Commercial fire liability; and
- General liability.

Risk Pool Membership

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

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

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Shelby County Libraries, Shelby County, (the Library) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated November 18, 2013 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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*.

Entity's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 18, 2013

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2012-001

Material Weakness - GASB 54 Fund Balance Classifications

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010 and are applicable to all local governments preparing OCBOA and regulatory statements.

The Library implemented the requirements of this statement in 2011 and 2012; however the following reclassifications between fund balance line items were required in the accompanying financial statements:

- For 2012 General Fund, the Library reported \$1,758,117 and \$324,857 as committed and assigned fund balance respectively, which was reclassified as unassigned fund balance;
- For 2012 Special Revenue Fund, the Library reported \$928,297 and \$2,105 as committed and assigned fund balance respectively, which was reclassified as restricted fund balance;
- For 2011 General Fund, the Library reported \$1,108,278 and \$361,432 as committed and assigned fund balance respectively, which was reclassified as unassigned fund balance;
- For 2011 Special Revenue Fund, the Library reported \$1,564,391 and \$2,105 as committed and assigned fund balance respectively, which was reclassified as restricted fund balance

Additionally we noted that in 2012 and 2011 the Library improperly reported \$265 as assigned fund balance in the Capital Projects Fund. This amount was not significant and the financial statements were not adjusted.

The Library should review the requirements noted in GASB 54 and Auditor of State Bulletin 2011-004 in order to properly present governmental fund balances in accordance with current guidance.

Official's Response:

The financial statements were not presented in accordance with GASB 54 requirements mainly due to confusion regarding the new reporting mechanism.

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 135.14(B) – ineligible investments.	Yes	All ineligible investments were redeemed during 2012.
2010-002	Material Weakness – Financial Statement Adjustments and Reclassifications..	No	Repeated as Finding 2012-001.



Dave Yost • Auditor of State

SHELBY COUNTY LIBRARIES

SHELBY 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 5, 2013**