

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

**FINANCIAL STATEMENTS
(AUDITED)**

**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

DIANNA WAGNER, FISCAL OFFICER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Greenville Public Library, Darke County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2012. 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 Auditor's 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 Auditor's 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 22, 2013

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**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Greenville Public Library, Darke County, Ohio, 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 Greenville Public 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 Greenville Public 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 2 of the financial statements, the Greenville Public 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 2 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 Greenville Public Library as of December 31, 2012 and 2011, or changes in financial position 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 the Greenville Public Library, Darke County, Ohio, 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 2.

Emphasis of Matters

As discussed in Note 11 to the financial statements, the January 1, 2011 beginning cash and fund balances have been restated. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, during 2011, Greenville Public 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 April 29, 2013, on our consideration of the Greenville Public 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 Greenville Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 29, 2013

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 354,930	\$ -	\$ -	\$ 354,930
Public Library	635,163	-	-	635,163
Intergovernmental	52,754	-	-	52,754
Patron Fines and Fees	14,746	-	-	14,746
Contributions, Gifts, and Donations	33,999	-	13,195	47,194
Earnings on Investment	114	-	529	643
Miscellaneous	2,591	-	-	2,591
Total Cash Receipts	<u>1,094,297</u>	<u>-</u>	<u>13,724</u>	<u>1,108,021</u>
Cash Disbursements				
Current:				
Library Services	851,141	1,000	-	852,141
Debt service:				
Principal Retirement	1,104,662	-	-	1,104,662
Interest & Fiscal Charges	39,101	-	-	39,101
Total Cash Disbursements	<u>1,994,904</u>	<u>1,000</u>	<u>-</u>	<u>1,995,904</u>
Excess of Receipts Over/(Under) Disbursements	<u>(900,607)</u>	<u>(1,000)</u>	<u>13,724</u>	<u>(887,883)</u>
Other Financing Receipts (Disbursements)				
Proceeds from sale of notes	985,763	-	-	985,763
Other uses	(9,210)	-	-	(9,210)
Total Other Financing Receipts (Disbursements)	<u>976,553</u>	<u>-</u>	<u>-</u>	<u>976,553</u>
Net Change in Fund Cash Balances	75,946	(1,000)	13,724	88,670
Fund Cash Balances, January 1, 2012	<u>108,239</u>	<u>2,040</u>	<u>183,572</u>	<u>293,851</u>
Fund Cash Balances, December 31				
Restricted	-	1,040	-	1,040
Committed	-	-	197,296	197,296
Assigned	184,185	-	-	184,185
Fund Cash Balances, December 31, 2011	<u>\$ 184,185</u>	<u>\$ 1,040</u>	<u>\$ 197,296</u>	<u>\$ 382,521</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Public Library	\$ 714,379	\$ -	\$ -	\$ 714,379
Patron Fines and Fees	13,576	-	-	13,576
Contributions, Gifts, and Donations	13,800	-	61,200	75,000
Earnings on Investment	69	-	970	1,039
Miscellaneous	6,221	-	-	6,221
Total Cash Receipts	<u>748,045</u>	<u>-</u>	<u>62,170</u>	<u>810,215</u>
Cash Disbursements				
Current:				
Library Services	667,273	-	-	667,273
Debt service:				
Principal Retirement	50,635	-	50,000	100,635
Interest & Fiscal Charges	53,074	-	-	53,074
Total Cash Disbursements	<u>770,982</u>	<u>-</u>	<u>50,000</u>	<u>820,982</u>
Net Change in Fund Cash Balances	(22,937)	-	12,170	(10,767)
Fund Cash Balances, January 1, 2011 - Restated	<u>131,176</u>	<u>2,040</u>	<u>171,402</u>	<u>304,618</u>
Fund Cash Balances, December 31				
Restricted	-	2,040	-	2,040
Committed	-	-	183,572	183,572
Assigned	56,818	-	-	56,818
Unassigned	51,421	-	-	51,421
Fund Cash Balances, December 31, 2011	<u>\$ 108,239</u>	<u>\$ 2,040</u>	<u>\$ 183,572</u>	<u>\$ 293,851</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - 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 the State 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 9.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING BASIS

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

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

B. 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.

C. 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:

General Fund

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Special Revenue Fund Type

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 Special Revenue funds:

Finnarn Fund - This fund received monies from donations from the Finnarn Family, which are to be used for quality type books dealing with horses or agriculture and both principal and earnings can be expended. There was no activity in 2012 and 2011.

McCabe Fund - This fund received monies from a donation by the McCabe Family, which are to be used for any appropriate Library expense. Principal and earnings can be expended. There was no activity in 2011.

Capital Project Fund Type

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

Building and Repair Fund - The Library utilizes this fund to accumulate funds for the construction and repair of facilities and retirement of notes related to the facilities.

D. BUDGETARY PROCESS

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

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

E. 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. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 - 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.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 3 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2012	2011
Demand deposits	<u>\$ 382,521</u>	<u>\$ 293,851</u>

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

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,178,481	\$ 2,080,060	\$ (98,421)
Special Revenue	1,000	-	(1,000)
Capital Projects	-	13,724	13,724
Total	<u>\$ 2,179,481</u>	<u>\$ 2,093,784</u>	<u>\$ (85,697)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,184,481	\$ 2,004,114	\$ 180,367
Special Revenue	3,040	1,000	2,040
Capital Projects	183,572	-	183,572
Total	<u>\$ 2,371,093</u>	<u>\$ 2,005,114</u>	<u>\$ 365,979</u>

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 - BUDGETARY ACTIVITY - (Continued)

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 677,602	\$ 748,045	\$ 70,443
Special Revenue	2,000	-	(2,000)
Capital Projects	14,000	62,170	48,170
Total	\$ 693,602	\$ 810,215	\$ 116,613

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 804,863	\$ 770,982	\$ 33,881
Special Revenue	4,040	-	4,040
Capital Projects	185,402	50,000	135,402
Total	\$ 994,305	\$ 820,982	\$ 173,323

NOTE 5 - GRANTS-IN-AID AND TAX RECEIPTS

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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 - GRANTS-IN-AID AND TAX RECEIPTS - (Continued)

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

NOTE 6 - DEBT

At December 31, 2012 and 2011, debt obligations consisted of the following issuance:

<u>Description</u>	<u>Balance at 12/31/12</u>	<u>Balance at 12/31/11</u>
2012 Farmers National Bank Library Renovation Project loan (refinance), due in monthly installments of \$8,879 through 2023, bearing an interest rate of 4.01%.	\$ 870,551	\$ -
2008 Greenville National Bank Library Renovation Project loan, due in monthly installments of \$8,946 through 2028, bearing an interest rate of 5.5%.	<u>-</u>	<u>989,450</u>
Total	<u>\$ 870,551</u>	<u>\$ 989,450</u>

Transactions for the years ended December 31, 2012 and 2011 are summarized as follows:

	<u>Balance at 01/01/12</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at 12/31/12</u>
Library Renovation Loan (2012)	\$ -	\$ 985,763	\$ (115,212)	\$ 870,551
Library Renovation Loan (2008)	<u>989,450</u>	<u>-</u>	<u>(989,450)</u>	<u>-</u>
Total	<u>\$ 989,450</u>	<u>\$ 985,763</u>	<u>\$(1,104,662)</u>	<u>\$ 870,551</u>

	<u>Balance at 01/01/11</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance at 12/31/11</u>
Library Renovation Loan (2008)	<u>\$1,090,085</u>	<u>\$ -</u>	<u>\$ (100,635)</u>	<u>\$ 989,450</u>

In 2012, the Library refinanced its 2008 renovation note to obtain a more favorable interest rate and decrease its length of time of repayment. The note is collateralized by the building.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 - DEBT - (Continued)

Principal and interest requirements to retire outstanding debt obligations at December 31, 2012 are as follows:

Year Ending	Library Renovation Loan		
December 31,	Principal	Interest	Total
2013	\$ 70,811	\$ 35,737	\$ 106,548
2014	73,704	32,844	106,548
2015	76,714	29,834	106,548
2016	79,769	26,779	106,548
2017	83,106	23,442	106,548
2018 - 2022	469,261	63,479	532,740
2023	17,186	572	17,758
Total	\$ 870,551	\$212,687	\$1,083,238

NOTE 7 - RETIREMENT SYSTEM

Retirement Rates	Year	Member Rate	Employer Rate
PERS - Local	2011 - 2012	10%	14%

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

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 8 - RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

NOTE 9 - 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.

NOTE 10 - CONTINGENT LIABILITIES

The Library is not currently involved in litigation.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The Library is restating its beginning cash and fund balances at January 1, 2011. The prior period adjustments are due to additional knowledge of a sale of stock which occurred in 2008 and related activities of the Capital Project fund. The prior period adjustment had the following effects on the Library's fund balances and cash balances:

	<u>General Cash and Fund Balance</u>	<u>Special Revenue Cash and Fund Balance</u>	<u>Capital Projects Cash and Fund Balance</u>
Balance 12/31/10	\$ 55,477	\$ 97,093	\$ 152,048
Prior Period Adjustment	<u>75,699</u>	<u>(95,053)</u>	<u>19,354</u>
Restated Balances 01/01/11	<u>\$ 131,176</u>	<u>\$ 2,040</u>	<u>\$ 171,402</u>

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which are described in Note 2.E.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

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 Greenville Public Library, Darke County, Ohio, 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 April 29, 2013 wherein we noted the Greenville Public Library followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 2. As discussed in Note 11 to the financial statements, the January 1, 2011 beginning cash and fund balances have been restated. In addition, as discussed in Note 12, in 2011, the Greenville Public Library adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Greenville Public 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Greenville Public 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 and responses, 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 Greenville Public Library's financial statements. We consider finding 2012-GPL-001 described in the accompanying schedule of findings and responses to be a material weakness.

Members of Council and Mayor
Greenville Public Library

Compliance and Other Matters

As part of reasonably assuring whether the Greenville Public 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 Greenville Public Library's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Greenville Public Library's response and, accordingly, we express no opinion on it.

We also noted certain matters not requiring inclusion in this report that we reported to Greenville Public Library's management in a separate letter dated April 29, 2013.

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 Greenville Public Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Greenville Public Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
April 29, 2013

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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

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

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the Library Board of Trustees and the Fiscal Officer. It is essential that strong internal controls are in place and properly working efficiently and effectively.

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Library’s internal controls. A description of the audit adjustments follows:

- i.* The Library is restating its beginning fund balances at January 1, 2011 to more accurately reflect the balance in the General fund, Special Revenue funds and Capital Project funds per additional review of funds during the implementation of GASB 54, and reexamination of a bequest stock transfer and disposition which occurred during 2008. The beginning fund balances as of January 1, 2011 were adjusted in the audited financial statements as follows:

<u>Fund</u>	<u>Amount</u>	<u>Effect</u>
General	\$ 75,699	Increase
Schafer Fund	(95,053)	Decrease
Building and Repairs Fund	19,354	Increase

- ii.* The Library receives contributions both for general Library activities and specifically for the building and repairs fund. All building and repairs fund contributions are deposited in a separate bank account. During 2012 and 2011, while the Library did properly deposit the funds in the specified bank account, certain contributions were recorded in the General fund, and not the Building and Repairs fund. The building and repairs cash account also earns its own interest, certain interest receipts while credited to the correct cash account, were recorded in the General fund and not the Building and Repairs fund. The following adjustments were made to the audited financial statements:

2012

General fund: Decrease contributions receipts \$2,500, decrease interest receipts \$463, decrease cash \$2,963

Building and Repairs fund: Increase contributions receipts \$2,500, increase interest receipts \$463, increase cash \$2,963

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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-GPL-001 - (Continued)

2011

General fund: Decrease contributions receipts \$50,940, decrease interest receipts \$904, decrease cash \$51,884

Building and Repairs fund: Increase contributions receipts \$50,940, increase interest receipts \$904, increase cash \$51,884

- iii.* The Library erroneously recorded a transfer from the Building and Repairs fund to the General fund. There was no documentation or cash transfer from the Building and Repairs cash account to support this transfer. The following adjustments were made to the audited financial statements:

2012

General fund: Decrease transfer in receipts \$120,000, decrease cash \$120,000

Building and Repairs fund: Decrease transfer out disbursements \$120,000, increase cash \$120,000

The Library recorded the McCabe fund monies expended in the General fund instead of the McCabe Special Revenue fund. The following adjustments were made to the audited financial statements:

2012

General fund: Increase cash \$1,000, decrease library services disbursements \$1,000

McCabe fund: Decrease cash \$1,000, increase library services disbursements \$1,000

- iv.* The Library did not record auditor and treasurers fees from its real estate tax settlement statements. In addition, auditor and treasurer fees were recorded as expended, but without a corresponding receipt recorded. Further, homestead and rollback was recorded in tax receipts instead of intergovernmental receipts. The following adjustments were made to the audited financial statements:

General fund: Decrease tax receipts \$52,754, increase intergovernmental receipts \$52,754, increase library services disbursements \$9,310, increase tax receipts \$9,310, increase cash \$9,310, decrease library services disbursements \$9,310

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2012-GPL-001 - (Continued)
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- v. The Library refinanced its long-term debt obligation in 2012. The Library did not record the payment of the old outstanding note nor the issuance of the new note. In addition, the Library did not properly record principal and interest to the proper line items. The following adjustments were made to the audited financial statements:

2012

General fund: Increase principal retirement disbursements \$984,341, increase interest and fiscal charges \$1,422, increase proceeds of notes receipts \$985,763, increase principal retirement disbursements \$120,321, decrease interest and fiscal charges \$120,321

2011

General fund: Increase principal retirement disbursements \$50,635, decrease interest and fiscal charges disbursements \$50,635

- vi. The Library approved to pay an additional \$50,000 out of the Building and Repairs fund towards the outstanding loan balance. The cash was withdrawn from the Building and Repairs fund; however, the charge was recorded in the General fund. The following adjustments were made to the audited financial statements:

2011

General fund: Increase cash \$50,000, decrease interest and fiscal charges disbursements \$50,000

Building and Repairs fund: Decrease cash \$50,000, increase principal retirement disbursements \$50,000

The audited financial statements and the Library's records reflect the above adjustments.

The presentation of materially correct financial statements and related footnotes is the responsibility of management.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2012-GPL-001 - (Continued)

We recommend that the Library implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financials and footnotes. Furthermore, the Fiscal Officer and Board of Trustees should review postings each month and again at the end of the fiscal year to verify all amounts are classified and posted properly for correct presentation.

Client Response: The Library will attempt to present more materially correct financial statements in the future.

**GREENVILLE PUBLIC LIBRARY
DARKE COUNTY, OHIO**

**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; Explain:
2010-GPL-001	<u>Material Weakness - Financial Reporting</u> - Misstatements in the financial statements for the years under audit were not initially identified by the Library's internal controls.	No	Repeated as finding 2012-GPL-001
2010-GPL-002	Ohio Revised Code Section 5705.40 requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.	Yes	N/A
2010-GPL-003	Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.	Yes	N/A

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Dave Yost • 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
JUNE 4, 2013