



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY  
DECEMBER 31, 2018 AND 2017**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Greenville Public Library, Darke County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017.

### ***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 such 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Greenville Public Library, Darke County as of December 31, 2018 and 2017, 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(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

December 19, 2019

**Greenville Public Library***Darke County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$370,044		\$370,044
Public Library	744,419		744,419
Intergovernmental	50,210		50,210
Patron Fines and Fees	10,228		10,228
Contributions, Gifts and Donations	7,070	10,650	17,720
Earnings on Investments	85		85
Miscellaneous	2,973		2,973
<i>Total Cash Receipts</i>	<u>1,185,029</u>	<u>10,650</u>	<u>1,195,679</u>
<b>Cash Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,078,197		1,078,197
Debt Service:			
Principal Retirement	119,552		119,552
Interest and Fiscal Charges	2,957		2,957
<i>Total Cash Disbursements</i>	<u>1,200,706</u>	<u>0</u>	<u>1,200,706</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,677)</u>	<u>10,650</u>	<u>(5,027)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Uses	(1,393)		(1,393)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,393)</u>	<u>0</u>	<u>(1,393)</u>
<i>Net Change in Fund Cash Balances</i>	(17,070)	10,650	(6,420)
<i>Fund Cash Balances, January 1</i>	<u>161,662</u>	<u>17,350</u>	<u>179,012</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		28,000	28,000
Unassigned (Deficit)	144,592		144,592
<i>Fund Cash Balances, December 31</i>	<u>\$144,592</u>	<u>\$28,000</u>	<u>\$172,592</u>

*See accompanying notes to the basic financial statements*

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**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 – DESCRIPTION OF THE ENTITY**

Greenville Public Library, Darke County, Ohio (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 Public 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 presents all activities for which the Library is financially accountable.

**NOTE 2 – SUMMERY 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 the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than earned, and recognizes disbursements when paid rather than when a liability is incurred.

These Statements include adequate disclosure of material matters, as Auditor of State prescribes and 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.

The Library values common stock at cost. Money market mutual funds are recorded at share values the mutual funds report.

**C. FUND ACCOUNTING**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

# GREENVILLE PUBLIC LIBRARY DARKE COUNTY, OHIO

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2018

### General Fund

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

### Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant permanent fund:

*Endowment Fund* – The Library utilizes this fund to accumulate funds held in perpetuity with a portion of the annual earnings used for the purpose of maintaining and upgrading the physical property of the Library.

### D. BUDGETARY PROCESS

The Board of Trustees must annually approve appropriate 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 2018 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 government-fund resources. The classifications are as follows:

#### **1. Non-spendable**

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

#### **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.

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**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 the 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 the Library Trustees or a Library official delegated – an authority delegated 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 the purpose 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 classification 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 liability for unpaid leave.

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018

**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, 2018 was as follows:

Demand deposits 2018 - \$172,592

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

**NOTE 4 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2018 follows:

FUND TYPE	BUDGETED RECEIPTS	ACTUAL RECEIPTS	VARIANCE
General Fund	\$1,299,498	\$1,185,029	\$114,469
Endowment Fund	\$ 22,350	\$ 10,650	\$ 11,700

FUND TYPE	BUDGETED APPROPRIATION	ACTUAL EXPENDITURES	VARIANCE
General Fund	\$1,299,498	\$1,202,099	\$97,399
Endowment Fund	\$ 22,350	\$ 0	\$22,350

**NOTE 5 – GRANTS-IN-AID AND TAX RECEIPTS**

*Grants in Aid*

The primary source of revenue for the 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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January – June of the subsequent year.

*Property Taxes*

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays 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 is due June 20.

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018

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

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

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, 2018 debt obligations consisted of the following issuance:

Description: 2012 Farmers National Bank Library Renovation Project Loan (refinance) due monthly in installments of \$8,879.00 originally through 2023 bearing an interest rate of 4.01%. Having paid higher monthly installments, in addition to various large installments, the Library retired debt early, as per previously established and reported debt schedule (See Previous AFR Notes), in November 2018. Payments were made out of the General Fund.

<b>LIBRARY RENOVATION LOAN</b>	<b>Jan. 1, 2018</b>	<b>Payments (Principal and Interest)</b>	<b>Dec. 31, 2018</b>
	\$119,552	(\$119,552)	\$0.00

**NOTE 7 – RETIREMENT SYSTEM**

The Library’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multi-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 2018 OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participant’s gross salaries. The Library has paid all contributions required through December 31, 2018.

**NOTE 8 – RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicle
- Errors and omissions

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2018**

**NOTE 9 – FRIENDS OF THE GREENVILLE PUBLIC LIBRARY**

Friends of the Greenville Public Library is a non-profit group that exists and operates towards the betterment of the Greenville Public Library. The organization is legally separated 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.

**Greenville Public Library***Darke County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$367,337		\$367,337
Public Library	715,672		715,672
Intergovernmental	49,931		49,931
Patron Fines and Fees	13,833		13,833
Contributions, Gifts and Donations	7,824	6,350	14,174
Earnings on Investments	112		112
Miscellaneous	4,147		4,147
<i>Total Cash Receipts</i>	<u>1,158,856</u>	<u>6,350</u>	<u>1,165,206</u>
<b>Cash Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,118,299		1,118,299
Debt Service:			
Principal Retirement	101,211		101,211
Interest and Fiscal Charges	6,789		6,789
<i>Total Cash Disbursements</i>	<u>1,226,299</u>	<u>0</u>	<u>1,226,299</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,443)</u>	<u>6,350</u>	<u>(61,093)</u>
<i>Fund Cash Balances, January 1</i>	<u>229,105</u>	<u>11,000</u>	<u>240,105</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		17,350	17,350
Unassigned (Deficit)	161,662		161,662
<i>Fund Cash Balances, December 31</i>	<u>\$161,662</u>	<u>\$17,350</u>	<u>\$179,012</u>

*See accompanying notes to the basic financial statements*

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**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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.

The Library values common stock at cost. Money market mutual funds are recorded at share values the mutual funds report.

**C. FUND ACCOUNTING**

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the library are presented below:

**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 YEAR ENDED DECEMBER 31, 2017

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

Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant permanent fund:

*Endowment Fund* –The Library utilizes this fund to accumulate funds held in perpetuity with a portion of the annual earnings used for the purpose of maintaining and upgrading the physical property of the Library.

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 2017 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.

**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.

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**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.

**E. 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 YEAR ENDED DECEMBER 31, 2017

**NOTE 3 - 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:

Demand deposits 2017 \$179,012

*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 year ending December 31, 2017 follows:

<b>FUND TYPE</b>	<b>BUDGETED RECEIPTS</b>	<b>ACTUAL RECEIPTS</b>	<b>VARIANCE</b>
General Fund	\$1,449,408	\$1,158,857	\$290,551
Endowment Fund	\$ 11,000	\$ 6,350	\$ 4,650

<b>FUND TYPE</b>	<b>BUDGETED RECEIPTS</b>	<b>ACTUAL RECEIPTS</b>	<b>VARIANCE</b>
General Fund	\$1,449,408	\$1,226,299	\$223,109
Endowment Fund	\$ 11,000	\$ 0	\$ 11,000

**NOTE 5 - GRANTS-IN-AID AND TAX RECEIPTS**

*Grants in Aid*

The primary source of revenue for the 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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January – June of the subsequent year.

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

*Property Taxes*

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays 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 is due June 20.

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

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, 2018 debt obligations consisted of the following issuance:

2012 Farmers National Bank Library Renovation Project loan (refinance) due in monthly installments of \$8,879 originally through 2023 bearing an interest rate of 4.01%. Payments are made out of the general fund.

Balance as of 12/31/17 was \$119,552.

<b>LIBRARY RENOVATION LOAN</b>	<b>Jan. 1, 2017</b>	<b>Payments (Principal and Interest)</b>	<b>Dec. 31, 2017</b>
	\$220,763	(\$101,211)	\$119,552

Principal and interest requirements to retire outstanding debt obligations at December 31, 20r61 are as follows:

Year Ending	Library Renovation Loan		
December 31,	Principal	Interest	Total
2018	\$119,552	2,956	122,508

**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 7 - 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 plan's benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017 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, 2017.

**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.

# OHIO AUDITOR OF STATE KEITH FABER



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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

Greenville Public Library  
Darke County  
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 cash balances, receipts, and disbursements by fund type of the Greenville Public Library, Darke County, (the Library) as of and for the years ended December 31, 2018, and 2017, and the related notes to the financial statements and have issued our report thereon dated December 19, 2019, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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 opinion 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-002 through 2018-004 to be material weaknesses.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2018-001.

***Library's Response to Findings***

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

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

December 19, 2019



**GREENVILLE PUBLIC LIBRARY  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-001**

**Noncompliance - Investments**

**Ohio Rev. Code § 135.14** details allowable investments for public subdivisions. Due to lack of knowledge regarding allowable investments, the Library invested in Vanguard real estate and stock funds that are not allowable per Ohio Rev. Code § 135.14.

**Ohio Rev. Code § 135.22(B)** provides, in part, that a treasurer, which includes any person whose duties include making investment decisions with respect to the investment or deposit of interim moneys (O.R.C. 135.22(A)(1)), "annually shall complete the continuing education programs described in this section, unless the treasurer annually provides a notice of exemption described in division (E) of this section." The Library Fiscal Officer and Board did not attend the required additional training for the investments that were maintained.

**Ohio Rev. Code § 135.14(O)(1)** states, in part, that investments or deposits under Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- Per Ohio Rev. Code § 135.14(O)(2), If a written investment policy is not filed with the Auditor of State, the treasurer or governing board can invest only in interim deposits, STAR Ohio, or no-load money market mutual funds.
- Per Ohio Rev. Code § 135.14(O)(3), A subdivision whose average annual investment portfolio is \$100,000 or less need not file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Sections 135.01 to 135.21.

The Library's investment portfolio was less than \$100,000 and therefore did not meet the requirement above to file an investment policy with the Auditor of State. However, the Library did not have a written policy governing its investments.

Failure to attend required investment training, maintain an investment policy, or maintain proper investments could lead to future improper investments and loss of cash balances or interest receipts.

The Library should implement procedures to invest only in allowable investments, establish an investment policy, and attend the required investment training.

**Official's Response:**

To resolve this and other related issues to this finding we are closing our investment account (Endowment Fund).

## FINDING NUMBER 2018-002

### Material Weakness – Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and expenditures have been correctly posted in the accounting system and have been correctly posted by the bank.

The Fiscal Officer did not properly post financial activity to the accounting system during the audit period or compare the reconciled bank balance to the Library book balance during the month end reconciliation process. As such we noted the following:

- At December 31, 2017 the reconciled book balance was \$4,039 higher than the reconciled bank balance. At December 31, 2018 the reconciled bank balance was \$7,728 higher than the cash book balance.
- The Library received contributions in the amounts of \$200, \$100, and \$550 for the endowment fund that were deposited in December 2016, but were not posted in the accounting system until January 31, 2017.
- The December 31, 2017, and December 31, 2018, bank reconciliations included other adjusting factors of \$156.04 and \$542.58, respectively. The Library maintained no supporting documentation for those adjusting factors.
- The Library utilized incorrect bank balances for the endowment investment account when completing the bank reconciliations. At December 31, 2017, the Library utilized a bank balance of \$17,350. However, the correct bank balance was \$13,467, a difference of \$(3,833). At December 31, 2018, the Library utilized a bank balance of \$22,350. However, the correct bank balance was \$30,620, a difference of \$8,270.
- The Library did not post any interest earned or fees from the endowment investment account to the accounting system.
- The Library received donations of stock in 2017 and 2018. Per the endowment investment bank account statements those donations of stock were valued at \$992 and \$993, respectively. However, the Library did not post those transactions to the accounting system.
- Per the endowment investment bank account statement the Library received a deposit of \$281 on April 18, 2018. However, the Library did not post this transaction to the accounting system.
- Per the endowment investment bank account statement the Library received a deposit of \$5,000 on December 10, 2018. The Library posted this receipt to the accounting system. However, the Library incorrectly included this amount as part of deposits in transit on the December 31, 2018, bank reconciliation.

Accurate reconciliations and financial reports are a basic and essential internal control component for sound fiscal management. Library officials rely on accurate reconciliations and financial reports to make sound financial decisions. Lack of oversight over the Library's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed. Failure to properly reconcile and resolve the variances noted above could result in the Library being declared unauditible in the future.

**FINDING NUMBER 2018-002  
(Continued)**

The Fiscal Officer should complete accurate monthly reconciliations. All transactions should be accurately posted in the accounting system. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. The Fiscal Officer should verify that financial activity is properly posted to the accounting system.

**Official's Response:**

As of January 2019 all adjusting factors were corrected. Many of the other material weaknesses in this finding were related to our investment fund (Endowment Fund) which we are closing to resolve these and other issues related to the investment fund.

**FINDING NUMBER 2018-003**

**Material Weakness – Financial Statement Errors**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to improper application of accounting guidance, the following errors were identified in the financial statements:

- In 2017 and 2018 the Library posted debt service payments entirely to Debt Service-Interest rather than Debt Service-Principal and Debt Service-Interest. Furthermore, in 2018 a portion of the debt service payment was incorrectly classified as Library Services. As such, Debt Service-Principal was understated by \$101,211 and Debt Service-Interest was overstated by the same amount in the General Fund in 2017. Debt Service-Principal was understated by \$119,552, Debt Service-Interest was overstated by \$105,043, and Library Services was overstated by \$14,509 in the General Fund in 2018.
- In 2017 and 2018 the Library posted homestead/rollback receipts to Property Taxes rather than Intergovernmental receipts. As such, Property Taxes were overstated by \$49,931 in 2017 and \$50,187 in 2018, and Intergovernmental receipts were understated by the same amounts, respectively, in the General Fund.
- In 2017 the Library incorrectly posted a Public Library receipt. As such, Patron Fines and Fees was overstated by \$64,032 and Public Library receipts was understated by the same amount in the General Fund.

The accompanying financial statements have been adjusted to correct these errors.

Failure to correctly classify receipts and disbursements on financial statements, may impact the user's understanding of the financial operations, the Library's ability to make sound financial decisions, and result in the material misstatement of the financial statements.

The errors identified should be reviewed by the Library to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of receipts and disbursements. In addition to the monthly review of financial reports, the Library should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

**FINDING NUMBER 2018-003  
(Continued)**

**Official's Response:**

Some of the material weaknesses in this finding are related to a bank loan the Library has since paid in full. Other material weaknesses (i.e. posting receipts to the wrong fund, under/over stating receipts) in this finding are clerical errors. Being aware of these errors we are doubling our efforts to post receipts (and warrants) to correct funds and to post correct amounts.

**FINDING NUMBER 2018-004**

**Material Weakness – Service Organization Monitoring**

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Library has delegated investment services for its endowment program, which is a significant accounting function, to a third-party administrator, Second National Bank. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Library with reasonable assurance that investment service transactions conform to the Library's agreement with Second National Bank.

The Library Board did not establish procedures to determine if the service organization had implemented sufficient controls which were operating effectively to reduce the risk that investments were made in accordance with the Library's agreement with Second National Bank. The Library indicated they reviewed the investment statements received from the bank. However, there was no evidence to support those reviews were performed by the Library.

Failure to maintain evidence supporting that procedures were implemented by the Library to monitor the investment transactions processed by Second National Bank may result in inaccurate posting of transactions to the accounting system and illegal investments.

The Library should maintain evidence to support that procedures were implemented by the Library to verify the completeness and accuracy of investment activity processed by Second National Bank.

**Official's Response:**

This finding is also related to our investment fund (Endowment Fund) and to resolve this and other related issues to this finding we are closing our investment account.

# OHIO AUDITOR OF STATE KEITH FABER



**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  
JANUARY 28, 2020**