



Dave Yost • Auditor of State



BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 20EE .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 20BB .....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Brown County Public Library  
Brown County  
613 South High Street  
Mt. Orab, Ohio 45154

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of the Brown County Public Library, Brown County, (the Library) as of and for the years ended December 31, 2014 and 2013.

### ***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 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 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(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, 2014 and 2013, 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 the Brown County Public Library, Brown County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2015, 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

September 1, 2015

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 446,886	\$ -	\$ -	\$ -	\$ 446,886
Public Library	611,324	-	55,483	-	666,807
Intergovernmental	69,677	-	-	-	69,677
Patron Fines and Fees	28,543	-	-	-	28,543
Services Provided to Other Entities	24,280	-	-	3,000	27,280
Contributions, Gifts and Donations	-	7,000	-	-	7,000
Earnings on Investments	228	-	-	-	228
Miscellaneous	9,557	-	-	-	9,557
<i>Total Cash Receipts</i>	<u>1,190,495</u>	<u>7,000</u>	<u>55,483</u>	<u>3,000</u>	<u>1,255,978</u>
<b>Cash Disbursements</b>					
Current:					
Library Services	1,186,660	9,172	-	53,816	1,249,648
Capital Outlay	8,773	4,492	-	280,004	293,269
Debt Service:					
Principal Retirement	-	-	35,000	-	35,000
Interest and Fiscal Charges	-	-	3,478	-	3,478
<i>Total Cash Disbursements</i>	<u>1,195,433</u>	<u>13,664</u>	<u>38,478</u>	<u>333,820</u>	<u>1,581,395</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,938)</u>	<u>(6,664)</u>	<u>17,005</u>	<u>(330,820)</u>	<u>(325,417)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Notes	-	-	-	175,000	175,000
Transfers In	14,156	700	-	187,000	201,856
Transfers Out	(187,700)	-	-	(14,156)	(201,856)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(173,544)</u>	<u>700</u>	<u>-</u>	<u>347,844</u>	<u>175,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(178,482)</u>	<u>(5,964)</u>	<u>17,005</u>	<u>17,024</u>	<u>(150,417)</u>
<i>Fund Cash Balances, January 1</i>	<u>608,093</u>	<u>24,486</u>	<u>-</u>	<u>72,656</u>	<u>705,235</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	-	18,522	17,005	-	35,527
Committed	-	-	-	89,680	89,680
Assigned	73,672	-	-	-	73,672
Unassigned (Deficit)	355,939	-	-	-	355,939
<i>Fund Cash Balances, December 31</i>	<u>\$ 429,611</u>	<u>\$ 18,522</u>	<u>\$ 17,005</u>	<u>\$ 89,680</u>	<u>\$ 554,818</u>

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

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 450,716	\$ -	\$ -	\$ 450,716
Public Library	679,807	-	-	679,807
Intergovernmental	268,141	-	-	268,141
Patron Fines and Fees	30,312	-	-	30,312
Services Provided to Other Entities	11,988	-	1,250	13,238
Contributions, Gifts and Donations	1,190	7,000	-	8,190
Earnings on Investments	217	-	-	217
Miscellaneous	3,242	-	-	3,242
<i>Total Cash Receipts</i>	<u>1,445,613</u>	<u>7,000</u>	<u>1,250</u>	<u>1,453,863</u>
<b>Cash Disbursements</b>				
Current:				
Library Services	1,182,421	7,244	28,658	1,218,323
Capital Outlay	3,898	573	-	4,471
<i>Total Cash Disbursements</i>	<u>1,186,319</u>	<u>7,817</u>	<u>28,658</u>	<u>1,222,794</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>259,294</u>	<u>(817)</u>	<u>(27,408)</u>	<u>231,069</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	77,750	-	142,750	220,500
Transfers Out	(142,750)	-	(77,750)	(220,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(65,000)</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	194,294	(817)	37,592	231,069
<i>Fund Cash Balances, January 1</i>	<u>413,799</u>	<u>25,303</u>	<u>35,064</u>	<u>474,166</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	24,486	-	24,486
Committed	-	-	72,656	72,656
Assigned	51,191	-	-	51,191
Unassigned (Deficit)	556,902	-	-	556,902
<i>Fund Cash Balances, December 31</i>	<u>\$ 608,093</u>	<u>\$ 24,486</u>	<u>\$ 72,656</u>	<u>\$ 705,235</u>

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

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Brown County Public Library, Brown County, (the Library) as a body corporate and politic. The Library is directed by a seven member Board of Trustees. Four members are appointed by the Brown County Commissioners and three members are appointed by the Brown County Common Pleas Judge. The Library provides the community with various educational and literary resources.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and the Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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 values STAR Ohio (the State Treasury Asset Reserve) at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund 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:

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

Gates Grant – This fund accounts for the proceeds from the Bill and Melinda Gates Foundation for the purpose of replacing of computers used by library patrons. The grant required a local match which was fulfilled through various fundraising activities. Judicious use of the funds has stretched their availability through 2016.

KOCH Grant - The Dorothy Koch Family Foundation honors Mrs. Koch's lifelong commitment to education by providing funding to support activities at the Mary P. Shelton Library in Georgetown. Proposals are submitted annually, and have underwritten early literacy, teen events, family activities, and other projects. Awards are given to the Library's Foundation, which then provides the money to the Library's Special Fund.

**3. Debt Service Funds**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Funds:

Debt Service Fund - This fund was set up to track the payments on the Library Funding Facilities Note (Series 2014). Revenues are a portion of the P.L.F. each month as approved by the Trustees.

**4. 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 funds:

Capital Project Fund – This fund is set up to track capital outlay expenditures for the buildings and equipment. The revenues are transfers from the General Fund.

Capital Project Fund -Georgetown Roof – This fund was set up to track the expenditures of the Georgetown Roof Project. The revenues are transfers from the General Fund.

Capital Project Fund- Georgetown Roof Note – This fund was set up to track the expenditures of the Georgetown Roof Project that were funded by the \$175,000. Library Facilities Note, Series 2014.

**E. Budgetary Process**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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. 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.

**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.

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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. 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>2014</u>	<u>2013</u>
Demand deposits	\$449,509	\$599,961
STAR Ohio	<u>\$105,309</u>	<u>\$105,274</u>
Total deposits and investments	<u><u>\$554,818</u></u>	<u><u>\$705,235</u></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 are not evidenced by securities that exist in physical or book-entry form.

**Credit Risk** – Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. As shown above, STAR Ohio carries a rating of AAAM by Standard and Poor's.

**3. Budgetary Activity**

Budgetary activity for the years ending 2014 and 2013 follows:

<u>2014 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	
	<u>Receipts</u>	<u>Receipts</u>	<u>Variance</u>
General	\$1,124,780	\$1,204,651	\$79,871
Special Revenue	7,700	7,700	0
Debt Service	48,000	55,483	7,483
Capital Projects	305,000	365,000	60,000
Total	<u><u>\$1,485,480</u></u>	<u><u>\$1,632,834</u></u>	<u><u>\$147,354</u></u>

<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$1,494,581	\$1,385,523	\$109,058
Special Revenue	17,195	13,664	3,531
Debt Service	48,000	38,478	9,522
Capital Projects	354,872	347,976	6,896
Total	<u><u>\$1,914,648</u></u>	<u><u>\$1,785,641</u></u>	<u><u>\$129,007</u></u>

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014  
(Continued)**

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,389,800	\$1,523,363	\$133,563
Special Revenue	5,000	7,000	2,000
Capital Projects	392,750	144,000	(248,750)
Total	<u>\$1,787,550</u>	<u>\$1,674,363</u>	<u>(\$113,187)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,465,305	\$1,338,344	\$126,961
Special Revenue	16,868	7,817	9,051
Capital Projects	177,750	106,408	71,342
Total	<u>\$1,659,923</u>	<u>\$1,452,569</u>	<u>\$207,354</u>

**4. 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. This method of distribution is called the "percentage of revenue" method. This method was not used for August 2011 through June 2013. During that 23 month period PLF received a designated percentage of the dollar amounts received by the fund during the corresponding month of the fiscal year 2011 "base-year" period. Effective July 2013 the statutory allocation method reverted to the "percentage of revenue" method for PLF distribution. The fund received an amount equal to a specified percentage of the amount of GRF tax revenue received during the previous month. Beginning with the July 2013 distribution the "statutory allocation method" was implemented. The calendar year 2013 entitlements were used in the computation as the basis of each county's allocation percentage. Those percentages were used through December 2013. In December 2013 the actual calendar year entitlement was computed. Any difference was adjusted evenly to the PLF distributions from January-June 2014. In calendar year 2014 the statutory entitlement computation method continued. Estimated entitlement figures were issued to County Auditors in July 2013, December 2013 and June 2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

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 Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

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

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

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2014  
(Continued)**

**5. Debt**

In 1996 the Library received \$2,910,000. in proceeds of general obligation bonds issued by Brown County for the purpose of obtaining and improving sites, construction, renovating, and adding to its buildings, acquiring furnishings, technology, and opening collections for a public library within each school district within the Public Library District. These bonds are a general obligation of Brown County and will be retired through the year 2016 from the proceeds of a voted property tax levy. All related tax proceeds and debt payments are recorded on the Brown County financial statements.

In 2014 the Library issued a Series 2014 Library Funding Facilities Note in the amount of \$175,000 to help fund the roof project at the Mary P. Shelton Library. This note has an interest rate of 3.25% and will be paid through 2018. The Library established a debt service fund to accumulate part of the monthly P.L.F. distribution to pay the annual debt payment. The cash balance in the debt fund at December 21, 2014 was \$17,005.

Year ending December 31<sup>st</sup> Amortization of the above Library Facilities Note Series 2014, including interest, is scheduled as follows:

Due	Principal	Interest	Total
9-1-2015	\$35,000	\$4,550	\$39,550
9-1-2016	35,000	3,422	38,422
9-1-2017	35,000	2,275	37,275
9-1-2018	<u>35,000</u>	<u>1,138</u>	<u>36,138</u>
Totals	\$140,000	\$11,385	\$151,385

**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 post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Library contributed 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2014.

**7. Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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



# 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

Brown County Public Library  
Brown County  
613 South High Street  
Mt. Orab, Ohio 45154

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 Brown County Public Library, Brown County, (the Library) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated September 1, 2015, 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.

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 2014-001 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*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 1, 2015

**BROWN COUNTY PUBLIC LIBRARY  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2014-001**

MATERIAL WEAKNESS

We identified the following conditions related to the Library's revised financial statements:

- The Library recorded Property and Other Local Taxes as Intergovernmental Receipts.
- The Library did not accurately classify governmental fund balances during 2013 and 2014 in accordance with Governmental Accounting Standards Board (GASB) statement number 54.
- The Library did not record all outstanding encumbrances.
- The Library did not maintain supporting documentation for the 2013 adopted appropriation measure documented as approved in the minutes, and the amounts approved were not included in the minutes.
- The Library did not maintain supporting documentation in 2013 for all changes to budgeted receipts and appropriations. Amounts reported in the budgetary footnote agreed to the UAN system, but were not supported by final approved budgetary documents due to the Library's lack of maintaining supporting documentation for the amounts approved by the Board.

These conditions resulted in the following audit adjustments:

Year	Item	Amount	Proper Fund/ Classification	Fund/Classification Reported
2014	GASB 54 Fund Balance Classification	\$71,282	General Fund	Special Revenue Fund
2014	GASB 54 Fund Balance Classification	71,282	General Fund - Assigned	General Fund - Committed
2014	GASB 54 Fund Balance Classification	2,390	General Fund - Assigned	General Fund - Unassigned
2014	GASB 54 Fund Balance Classification	45,000	Eliminate due to Technology Special Revenue Fund Moved to General Fund	Transfer In and Transfer Out
2014	Property Tax and Other Local Taxes	446,886	Property Tax and Other Local Taxes	Intergovernmental Revenue
2013	GASB 54 Fund Balance Classification	41,916	General Fund	Special Revenue Fund

**FINDING NUMBER 2014-001  
 (Continued)**

Year	Item	Amount	Proper Fund/ Classification	Fund/Classification Reported
2013	GASB 54 Fund Balance Classification	\$41,916	General Fund - Assigned	General Fund - Committed
2013	GASB 54 Fund Balance Classification	9,275	General Fund - Assigned	General Fund – Unassigned
2013	GASB 54 Fund Balance Classification	55,000	Eliminate due to Technology Special Revenue Fund Moved to General Fund	Transfer In and Transfer Out
2013	Property Tax and Other Local Taxes	450,716	Property Tax and Other Local Taxes	Intergovernmental Revenue

These adjustments were posted to the accompanying financial statements.

Failure to completely and accurately post transactions, and maintain documentation for original budgets and subsequent amendments resulted in inaccurate financial statements, and reduced the Board's ability to monitor financial activity and make informed financial decisions.

We recommend that the Library:

- Implement controls to ensure that receipts and encumbrances are accurately recorded in the Library's records.
- Accurately classify governmental fund balance in accordance with GASB statement number 54 as described in Auditor of State Audit Bulletin 2011-004.
- Ensure that when appropriation measures are approved each year, amounts approved are documented in the minute records, or an appropriation resolution is created, signed by the Board upon approval, and maintained.
- Maintain all supporting documentation for changes to the budgeted receipts and appropriations.

**Officials' Response:**



# Dave Yost • Auditor of State

**BROWN COUNTY PUBLIC LIBRARY**

**BROWN 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  
SEPTEMBER 15, 2015**