

428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave  
Parkersburg, WV 26101  
304.422.2203

121 E Main St  
St. Clairsville, OH 43950  
740.695.1569



**COMMUNITY LIBRARY OF BIG WALNUT  
LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY  
Regular Audit  
For the Years Ended December 31, 2013 and 2012**

*...“bringing more to the table”*

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support

Members: American Institute of Certified Public Accountants • Ohio Society of CPAs • West Virginia Society of CPAs





# Dave Yost • Auditor of State

Board of Trustees  
Community Library of Big Walnut Local School District  
44 Burrer Drive  
Sunbury, Ohio 43074

We have reviewed the *Independent Auditor's Report* of the Community Library of Big Walnut Local School District, Delaware County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

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 Community Library of Big Walnut Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA, CGFM  
Chief Deputy Auditor

May 6, 2015

**This page intentionally left blank.**

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY  
TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	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 Audit Findings .....	13

**This page intentionally left blank.**

***Perry & Associates***  
Certified Public Accountants, A.C.  
[www.perrycpas.com](http://www.perrycpas.com)

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT**

February 6, 2015

Community Library of Big Walnut Local School District  
44 Burrer Drive  
Sunbury, Ohio 43074

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Community Library of Big Walnut Local School District**, Delaware County, (the Library) as of and for the years ended December 31, 2013 and 2012.

***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 opinion.

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

As described in Note 1B 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, to satisfy these requirements.

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2013 and 2012, 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 Community Library of Big Walnut Local School District, Delaware County as of December 31, 2013 and 2012, 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 1B.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 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.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE 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	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 568,092	\$ -	\$ 568,092
Public Library	522,971	-	522,971
Intergovernmental	82,053	-	82,053
Patron Fines and Fees	17,133	-	17,133
Contributions, Gifts and Donations	13,457	-	13,457
Earnings on Investments	2,040	5,052	7,092
Miscellaneous	9,367	-	9,367
<i>Total Cash Receipts</i>	<u>1,215,113</u>	<u>5,052</u>	<u>1,220,165</u>
<b>Cash Disbursements</b>			
Current:			
Library Services	828,283	-	828,283
Support Services:			
Facilities Operation and Maintenance	-	44,645	44,645
Capital Outlay	32,200	-	32,200
<i>Total Cash Disbursements</i>	<u>860,483</u>	<u>44,645</u>	<u>905,128</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>354,630</u>	<u>(39,593)</u>	<u>315,037</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In	-	192,811	192,811
Transfers Out	(192,811)	-	(192,811)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(192,811)</u>	<u>192,811</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	161,819	153,218	315,037
<i>Fund Cash Balances, January 1</i>	<u>585,510</u>	<u>726,687</u>	<u>1,312,197</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	584	879,905	880,489
Unassigned	746,745	-	746,745
<i>Fund Cash Balances, December 31</i>	<u>\$ 747,329</u>	<u>\$ 879,905</u>	<u>\$ 1,627,234</u>

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 559,782	\$ -	\$ -	\$ 559,782
Public Library	516,260	-	-	516,260
Intergovernmental	87,065	130,627	-	217,692
Patron Fines and Fees	17,228	-	-	17,228
Contributions, Gifts and Donations	8,678	-	-	8,678
Earnings on Investments	1,991	27	6,896	8,914
Miscellaneous	1,187	-	-	1,187
<i>Total Cash Receipts</i>	<u>1,192,191</u>	<u>130,654</u>	<u>6,896</u>	<u>1,329,741</u>
<b>Cash Disbursements</b>				
Current:				
Library Services	839,133	141,087	-	980,220
Capital Outlay	61,329	3,023	-	64,352
<i>Total Cash Disbursements</i>	<u>900,462</u>	<u>144,110</u>	<u>-</u>	<u>1,044,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>291,729</u>	<u>(13,456)</u>	<u>6,896</u>	<u>285,169</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In	-	13,456	209,943	223,399
Transfers Out	(223,399)	-	-	(223,399)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(223,399)</u>	<u>13,456</u>	<u>209,943</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	68,330	-	216,839	285,169
<i>Fund Cash Balances, January 1</i>	<u>517,179</u>	<u>-</u>	<u>509,849</u>	<u>1,027,028</u>
<b>Fund Cash Balances, December 31</b>				
Committed	273,631	-	-	273,631
Assigned	2,104	-	726,688	728,792
Unassigned	309,774	-	-	309,774
<i>Fund Cash Balances, December 31</i>	<u>\$ 585,509</u>	<u>\$ -</u>	<u>\$ 726,688</u>	<u>\$ 1,312,197</u>

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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 Community Library of Big Walnut Local School District, Delaware County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees. 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 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.

**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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Library maintains an interest bearing checking account, savings account and certificates of deposit.

**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 Fund:

COOL Automation Project – Fund established for technology program run by Ohio net.

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects

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:

Major Capital Projects Fund – This fund is used for capital outlay disbursements over \$150,000.

Minor Capital Projects Fund – This fund is used for capital outlay disbursements under \$150,000.

E. Budgetary Process

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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 classified 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.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**4. Assigned**

Assigned funds 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* amount represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**H. Accumulated Leave**

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

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Library maintains a deposit and investments pool that 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:

	2013	2012
Demand Deposits	\$843,155	\$316,999
Certificates of Deposit	755,040	966,170
Total Deposits	1,598,195	1,283,169
STAR Ohio	29,039	29,028
Total Investments	29,039	29,028
Total Deposits and Investments	\$1,627,234	\$1,312,197

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

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,190,127	\$ 1,215,113	\$ 24,986
Capital Projects	-	197,863	197,863
Total	\$ 1,190,127	\$ 1,412,976	\$ 222,849

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,619,690	\$ 1,053,878	\$ 565,812
Capital Projects	67,000	64,645	2,355
Total	\$ 1,686,690	\$ 1,118,523	\$ 568,167

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,182,208	\$ 1,192,191	\$ 9,983
Special Revenue	144,122	144,110	(12)
Capital Projects	-	216,839	216,839
Total	\$ 1,326,330	\$ 1,553,140	\$ 226,810

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,607,526	\$ 1,125,965	\$ 481,561
Special Revenue	144,122	144,110	12
Total	\$ 1,751,648	\$ 1,270,075	\$ 481,573

**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. The County Budget Commission bases that 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 any of additional revenues the Library receives.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)**

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 rollback amounts the State pays as Intergovernmental. 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.

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.

**5. RETIREMENT SYSTEMS**

The Library's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**6. RISK MANAGEMENT**

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)**

**6. RISK POOL MEMBERSHIP (Continued)**

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013 (the latest information available).

	<b>2012</b>	<b>2013</b>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**7. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

**8. RESTATEMENT OF BEGINNING FUND BALANCES**

The Library made fund balance adjustments in 2012 to correct errors found during the audit. The Library created an Operational Reserve Fund and classified it as a Special Revenue Fund. This fund should be accounted for in the General Fund. The correction of these errors had the following effect on fund balances at December 31, 2011:

	General Fund	Special Revenue Fund
Ending Fund Balance at December 31, 2011	\$425,318	\$91,861
Correction for error in accounting	91,861	(91,861)
Restated Fund Balance at December 31, 2011	\$ 517,179	\$ -



***Perry & Associates***  
Certified Public Accountants, A.C.

[www.perrycpas.com](http://www.perrycpas.com)

MARIETTA

428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

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

February 6, 2015

Community Library of Big Walnut Local School District  
Delaware County  
44 Burrer Drive  
Sunbury, Ohio 43074

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Community Library of Big Walnut Local School District**, Delaware County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 12, 2014, 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 2013-001 described in the accompanying schedule of audit 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated February 6, 2015.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**Material Weakness**

**Fund Balance Adjustment**

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

- Nonspendable Fund Balance – The Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
- Restricted Fund Balance – The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (Library Charter) or enabling legislation.
- Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.
- Assigned Fund Balance – Assigned fund balance includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

In 2012, The Library had year-end encumbrances in the General Fund of \$2,104 that were classified as unassigned; however, this balance should have been classified as assigned.

Special Revenue Funds account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

The Library established an Operations Reserve Fund as an emergency savings plan for potential financial need in the future. The Library established this account as a Special Revenue Fund. With the adoption of GASB 54, this fund no longer meets the definition of a special revenue fund and should have been included in the general fund for financial reporting purposes. The resulting fund balance for the Operations Reserve Fund would be classified as unassigned in the general fund. The Library failed to reclassify the fund and properly classify the fund balance as unassigned.

COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT  
DELAWARE COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(CONTINUED)

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

FINDING NUMBER 2013-001 (Continued)

**Material Weakness**

**Fund Balance Adjustment**

Capital Project 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.

In 2012, the Library classified Capital Projects funds of \$726,687 as restricted, however, these funds should have been classified as assigned.

Inaccurate and misclassified fund balance classifications provide management with inaccurate information regarding the availability of fund balances.

We recommend that the Library review the GASB 54 statement and classify fund balances in accordance with the GASB 54 statement. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation. The accompanying financial statements have been adjusted to reflect these changes.

**Managements Response** – The Library believes the funds were classified in good faith and did not reflect any mismanagement of public funds. They classified the funds to the best of their ability using classification definitions and related information provided by the auditor of the state as well as other sources. The Library believes it has numerous and effective control measures to ensure that public funds are being used properly and prides itself on being prudent and responsible with public money.



# Dave Yost • Auditor of State

**COMMUNITY LIBRARY OF BIG WALNUT LOCAL SCHOOL DISTRICT**

**DELWARE 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  
MAY 28, 2015**