



Dave Yost • Auditor of State

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Kinsman Free Public Library
Trumbull County
6420 Church Street
Kinsman, Ohio 44428

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Kinsman Free Public Library, Trumbull 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 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, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 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 Kinsman Free Public Library, Trumbull 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, 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

March 25, 2014

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Private Purpose Trust Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$186,485			\$186,485
Public Library	404,699			404,699
Intergovernmental	33,999			33,999
Patron Fines and Fees	12,148			12,148
Contributions, Gifts and Donations	4,680			4,680
Earnings on Investments	261	\$1,020	\$56	1,337
Miscellaneous	77,569		100	77,669
<i>Total Cash Receipts</i>	<u>719,841</u>	<u>1,020</u>	<u>156</u>	<u>721,017</u>
Cash Disbursements				
Current:				
Library Services:	536,489			536,489
Capital Outlay	10,887	12,317		23,204
<i>Total Cash Disbursements</i>	<u>547,376</u>	<u>12,317</u>		<u>559,693</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>172,465</u>	<u>(11,297)</u>	<u>156</u>	<u>161,324</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses			(425)	(425)
<i>Total Other Financing Receipts (Disbursements)</i>			<u>(425)</u>	<u>(425)</u>
<i>Net Change in Fund Cash Balances</i>	172,465	(11,297)	(269)	160,899
<i>Fund Cash Balances, January 1</i>	<u>93,906</u>	<u>196,470</u>	<u>16,816</u>	<u>307,192</u>
Fund Cash Balances, December 31				
Restricted		185,173	16,547	201,720
Assigned	8,233			8,233
Unassigned (Deficit)	258,138			258,138
<i>Fund Cash Balances, December 31</i>	<u>\$266,371</u>	<u>\$185,173</u>	<u>\$16,547</u>	<u>\$468,091</u>

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Private Purpose Trust Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$184,660			\$184,660
Public Library	395,642			395,642
Intergovernmental	32,057			32,057
Patron Fines and Fees	7,695			7,695
Contributions, Gifts and Donations	5,347			5,347
Earnings on Investments	58	\$1,437	\$55	1,550
Miscellaneous	8,832			8,832
<i>Total Cash Receipts</i>	<u>634,291</u>	<u>1,437</u>	<u>55</u>	<u>635,783</u>
Cash Disbursements				
Current:				
Library Services:	553,491			553,491
Capital Outlay	7,386	4,010		11,396
<i>Total Cash Disbursements</i>	<u>560,877</u>	<u>4,010</u>		<u>564,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>73,414</u>	<u>(2,573)</u>	<u>55</u>	<u>70,896</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(132)		(675)	(807)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(132)</u>		<u>(675)</u>	<u>(807)</u>
<i>Net Change in Fund Cash Balances</i>	<u>73,282</u>	<u>(2,573)</u>	<u>(620)</u>	<u>70,089</u>
<i>Fund Cash Balances, January 1 (Restated-See Note 3)</i>	<u>20,624</u>	<u>199,044</u>	<u>17,436</u>	<u>237,104</u>
Fund Cash Balances, December 31				
Restricted		196,470	16,816	213,286
Assigned	12,868			12,868
Unassigned (Deficit)	81,038			81,038
<i>Fund Cash Balances, December 31</i>	<u>\$93,906</u>	<u>\$196,470</u>	<u>\$16,816</u>	<u>\$307,192</u>

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Kinsman Free Public Library, Trumbull County, (the Library) as a body corporate and politic. The Board of Education of the Joseph Badger Local School District appoints a seven-member Board of Trustees to govern the Library. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

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

The Library values the certificate of deposit and savings account at cost or fair value when donated.

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. Capital Project Fund

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

Capital Improvement Fund – This fund utilizes transfers from the General Fund to make building repairs and improvements.

3. Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. The Library had the following private purpose trust funds:

Marilyn Vogel Trust Fund – This fund receives additional donations each year by the family and an award is given to seniors of Joseph Badger High School.

Earnest L. Scott Trust Fund – This fund provides a scholarship every two years to a Joseph Badger School District student.

Dr. Bruce T. Riley Fund – This fund provides a scholarship every two years to a Joseph Badger School District senior who plans to attend college with a major in English.

E. 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 2013 and 2012 budgetary activity appears in Note 4.

F. Fund Balance

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

1. 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.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. 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.

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 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:

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. Equity in Pooled Deposits and Investments – (Continued)

	2013	2012
Demand deposits	\$227,859	\$86,935
Certificates of deposit	0	164,389
Other time deposits (savings and NOW accounts)	240,232	55,868
Total deposits and investments	468,091	307,192

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library.

3. Prior Period Restatement

The Library's accounting system was not in agreement with the fund balances on their prior audited financial statements ending 2011. As a result, in order for the Library's total fund balances, bank balances, and financial statement balances to all be in agreement at December 31, 2011, the General Fund balance was adjusted by \$8,997, the Special Revenue Fund balance was adjusted by \$45 and the Private Purpose Trust Fund by \$17.

	General Fund	Special Revenue	Private Purpose Trust
Fund Cash Balances December 31, 2011 (Before Adjustments)	\$11,627	\$199,089	\$17,419
Reversing of prior year audit adjustments	7,764	(45)	(8)
Adjustments made to system balances for lost and uncashed checks	1,233		25
Fund Balances, January 1, 2012	\$20,624	\$199,044	\$17,436

4. Budgetary Activity

Budgetary activity for the years ending 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$638,233	\$719,841	\$81,608
Capital Projects	2,080	1,020	(1,060)
Private Purpose Trust	60	156	96
Total	\$640,373	\$721,017	\$80,644

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Budgetary Activity - (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$638,233	\$555,609	\$82,624
Capital Projects	189,270	12,317	176,953
Private Purpose Trust	16,811	425	16,386
Total	\$844,314	\$568,351	\$275,963

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$610,732	\$634,291	\$23,559
Capital Projects	500	1,437	937
Private Purpose Trust	0	55	55
Total	\$611,232	\$635,783	\$24,551

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$646,023	\$537,877	\$108,146
Capital Projects	15,000	4,010	10,990
Private Purpose Trust	1,175	675	500
Total	\$662,198	\$542,562	\$119,636

5. Grants-in-aid and Tax Receipts

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. 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 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 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.

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

6. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local -- Full-time employees</i>	<i>2008 - 2013</i>	<i>0%</i>	<i>24%</i>
<i>PERS – Local – Part-time employees and Full time hired after 2009</i>	<i>2008 - 2013</i>	<i>10%</i>	<i>14%</i>

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 2013 and 2012, part-time OPERS members and employees hired after 2009 contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. However, the Library picked up the full-time employees' share of their OPERS members hired prior to 2009. As a result, these OPERS members contributed 0% of their gross salaries and the Library contributed an amount equaling 24% of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

7. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



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

Kinsman Free Public Library
Trumbull County
6420 Church Street
Kinsman, Ohio 44428

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 Kinsman Free Public Library, Trumbull 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 March 25, 2014, wherein we noted the Government 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

March 25, 2014

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Payroll Withholding Taxes	Yes	
2011-02	Finding for Recovery Repaid Under Audit-Credit Card Purchases.	Yes	
2011-03	Finding for Recovery Repaid Under Audit-Overpayment of Wages.	Yes	
2011-04	Finding For Recovery Repaid Under Audit-Revenue Collections.	Yes	
2011-05	Proper Encumbering	No	Significantly Corrected
2011-06	Library Records Commission	Yes	
2011-07	Finding For Recovery Repaid Under Audit-Money Market Account Check.	Yes	
2011-08	Finding For Recovery Repaid Under Audit-Petty Cash Disbursements.	Yes	
2011-09	Finding For Recovery Repaid Under Audit-Travel Reimbursements.	Yes	
2011-10	Cash Reconciliation.	Yes	
2011-11	Receipts Cycle.	Yes	

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Dave Yost • Auditor of State

KINSMAN FREE PUBLIC LIBRARY

TRUMBULL 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 8, 2014**