

MADISON PUBLIC LIBRARY
LAKE COUNTY
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND DECEMBER 31, 2012

Varney, Fink & Associates, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Trustees
Madison Public Library
6111 Middle Ridge Road
Madison, OH 44057

We have reviewed the *Independent Auditors' Report* of the Madison Public Library, Lake County, prepared by Varney, Fink & Associates, Inc., 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 Madison Public Library is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 14, 2014

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**MADISON PUBLIC LIBRARY
LAKE COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, OH 44057

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Madison Public Library, Lake 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 these 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 or cash flows 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 Madison Public Library, Lake 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 September 26, 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.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

September 26, 2014

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

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

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$669,881	\$0	\$669,881
Library and Local Government Support	578,940	0	578,940
Intergovernmental	99,261	0	99,261
Patron Fines and Fees	40,662	0	40,662
Contributions, Gifts and Donations	6,701	0	6,701
Earnings on Investments	2,588	0	2,588
Miscellaneous	9,136	0	9,136
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,407,169	0	1,407,169
Cash Disbursements:			
Current:			
Library Services			
Public Services and Programs	424,557	0	424,557
Collection Development and Processin	422,854	0	422,854
Support Services:			
Facilities Operation and Maintenance	177,407	4,985	182,392
Information Servies	8,100	869	8,969
Business Administration	343,108	20,974	364,082
	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	1,376,026	26,828	1,402,854
	<hr/>	<hr/>	<hr/>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	31,143	(26,828)	4,315
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Transfers-In	0	175,664	175,664
Transfers-Out	(175,664)	0	(175,664)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(175,664)	175,664	0
	<hr/>	<hr/>	<hr/>
Net Change in Fund Cash Balances	(144,521)	148,836	4,315
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	907,958	308,638	1,216,596
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31			
Committed	0	457,474	457,474
Assigned	6,098	0	6,098
Unassigned	757,339	0	757,339
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$763,437</u>	<u>\$457,474</u>	<u>\$1,220,911</u>

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

**MADISON PUBLIC LIBRARY
LAKE COUNTY**

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

	<u>All Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Property and Other Local Taxes	\$697,645	\$0	\$697,645
Public Library	558,433	0	558,433
Intergovernmental	103,732	0	103,732
Patron Fines and Fees	41,264	0	41,264
Contributions, Gifts and Donations	7,229	0	7,229
Earnings on Investments	2,121	0	2,121
Miscellaneous	8,143	0	8,143
	<u>1,418,567</u>	<u>0</u>	<u>1,418,567</u>
Cash Disbursements:			
Current:			
Library Services			
Public Services and Programs	453,897	1,275	455,172
Collection Development and Processin	309,781	0	309,781
Support Services:			
Facilities Operation and Maintenance	134,488	9,237	143,725
Information Servies	5,000	8,645	13,645
Business Administration	291,687	10,851	302,538
	<u>1,194,853</u>	<u>30,008</u>	<u>1,224,861</u>
<i>Total Cash Disbursements</i>	<u>1,194,853</u>	<u>30,008</u>	<u>1,224,861</u>
<i>Net Change in Fund Cash Balances</i>	<u>223,714</u>	<u>(30,008)</u>	<u>193,706</u>
<i>Fund Cash Balances, January 1</i>	<u>684,244</u>	<u>338,646</u>	<u>1,022,890</u>
Fund Cash Balances, December 31			
Committed	0	308,580	0
Assigned	3,245	58	3,303
Unassigned	904,713	0	904,713
	<u>907,958</u>	<u>\$308,638</u>	<u>\$1,216,596</u>
<i>Fund Cash Balances, December 31</i>	<u>\$907,958</u>	<u>\$308,638</u>	<u>\$1,216,596</u>

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

MADISON PUBLIC LIBRARY
LAKE 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 Madison Public Library, Lake County, (the Library) as a body corporate and politic. Madison Board of Education 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 certificate of deposits at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 reports all financial resources except those required to be accounted for in another fund.

MADISON PUBLIC LIBRARY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Equipment Fund – this fund is used to pay for computers and related equipment.

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 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 classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Library has no nonspendable assets in 2013 or 2012.

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. The Library has no restricted fund balances in 2013 or 2012.

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.

MADISON PUBLIC LIBRARY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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. Cash on hand at December 31, 2013 and 2012 was \$200. The carrying amount of deposits and investments at December 31 was as follows:

	2013	2012
Demand deposits	\$117,928	\$395,792
Certificates of deposit	0	75,000
Other time deposits (savings and NOW accounts)	80,327	165,156
Total deposits	198,255	635,948
STAR Ohio	1,022,456	580,448
Total investments	1,022,456	580,448
Total deposits and investments	\$1,220,711	\$1,216,396

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

MADISON PUBLIC LIBRARY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

3. 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	\$1,353,417	\$1,407,169	\$53,752
Capital Projects	0	175,664	175,664
Total	\$1,353,417	\$1,582,833	\$229,416

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,594,503	\$1,557,788	\$36,715
Capital Projects	172,000	26,828	145,172
Total	\$1,766,503	\$1,584,616	\$181,887

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,415,411	\$1,418,567	\$3,156
Capital Projects	0	0	0
Total	\$1,415,411	\$1,418,567	\$3,156

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,396,048	\$1,198,098	\$197,950
Capital Projects	172,000	30,066	141,934
Total	\$1,568,048	\$1,228,164	\$339,884

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 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.

MADISON PUBLIC LIBRARY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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.

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

The Lake County Auditor 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 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, OPERS members contributed \$62,652 and \$58,601, respectively, of their gross salaries and the Library contributed an amount equaling \$87,712 and \$82,041, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health, vision and dental insurance to full-time employees who work 40 hours per week through a private carrier. The Library's liability for health care is limited to the premium paid.

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

Madison Public Library
Lake County
6111 Middle Ridge Road
Madison, OH 44057

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 Madison Public Library, Lake County, (the Library) as of and for the years ended December 31, 2013 and December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2014 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 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.

Varney, Fink & Associates

Varney, Fink & Associates, Inc.
Certified Public Accountants

September 26, 2014



Dave Yost • Auditor of State

MADISON PUBLIC LIBRARY

LAKE 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
OCTOBER 21, 2014**