



Dave Yost • Auditor of State

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Kinsman Free Public Library, Trumbull County, Ohio (the Library) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Kinsman Free Public Library, Trumbull County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Kinsman Free Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2013

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Private Purpose Trust Funds</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Public Library	\$419,383			\$419,383
Intergovernmental	2,000			2,000
Patron Fines and Fees	16,287			16,287
Contributions, Gifts and Donations	1,359			1,359
Earnings on Investments	245	\$ 4,112	\$ 100	4,457
	<u>439,274</u>	<u>4,112</u>	<u>100</u>	<u>443,486</u>
<i>Total Cash Receipts</i>				
	<u>439,274</u>	<u>4,112</u>	<u>100</u>	<u>443,486</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	488,420			488,420
Other			325	325
Capital Outlay	1,385	26,312		27,697
	<u>489,805</u>	<u>26,312</u>	<u>325</u>	<u>516,442</u>
<i>Total Cash Disbursements</i>				
	<u>489,805</u>	<u>26,312</u>	<u>325</u>	<u>516,442</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(50,531)</u>	<u>(22,200)</u>	<u>(225)</u>	<u>(72,956)</u>
<i>Fund Cash Balances, January 1</i>	<u>62,158</u>	<u>221,289</u>	<u>17,644</u>	<u>301,091</u>
Fund Cash Balances, December 31				
Restricted		199,089	17,419	216,508
Unassigned	11,627			11,627
	<u>11,627</u>	<u>199,089</u>	<u>17,419</u>	<u>228,135</u>
<i>Fund Cash Balances, December 31</i>	<u>\$11,627</u>	<u>\$199,089</u>	<u>\$17,419</u>	<u>\$228,135</u>

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

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Private Purpose Trust Funds</u>	
Cash Receipts:				
Library and Local Government Support	\$399,394			\$399,394
Patron Fines and Fees	13,598			13,598
Contributions, Gifts and Donations	1,850			1,850
Earnings on Investments	69	\$ 1,348	\$ 19	1,436
	<u>414,911</u>	<u>1,348</u>	<u>19</u>	<u>416,278</u>
Total Cash Receipts	<u>414,911</u>	<u>1,348</u>	<u>19</u>	<u>416,278</u>
Cash Disbursements:				
Current:				
Salaries	247,380			247,380
Employee Fringe Benefits	79,031			79,031
Purchased and Contractual Services	46,869			46,869
Library Materials and Information	45,074			45,074
Supplies	4,949			4,949
Other	10,755		550	11,305
Capital Outlay	10,713	4,080		14,793
	<u>444,771</u>	<u>4,080</u>	<u>550</u>	<u>449,401</u>
Total Cash Disbursements	<u>444,771</u>	<u>4,080</u>	<u>550</u>	<u>449,401</u>
Total Receipts Under Disbursements	<u>(29,860)</u>	<u>(2,732)</u>	<u>(531)</u>	<u>(33,123)</u>
Fund Cash Balances, January 1	<u>92,018</u>	<u>224,021</u>	<u>18,175</u>	<u>334,214</u>
Fund Cash Balances, December 31	<u><u>\$62,158</u></u>	<u><u>\$221,289</u></u>	<u><u>\$17,644</u></u>	<u><u>\$301,091</u></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, 2011 AND 2010**

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 appoint 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. 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.

2. Capital Project Fund

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 fund:

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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.

Ernest 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 may not exceed appropriations at the fund, function, and object level of control.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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, 2011 AND 2010
(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.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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:

	2011	2010
Demand deposits	(\$49,140)	\$57,193
Certificates of deposit	163,982	161,227
Public Funds Money Market Account	113,293	76,992
Total deposits	228,135	295,412
Investments:		
STAR Ohio	0	5,679
Total investments	0	5,679
Total deposits and investments	\$228,135	\$301,091

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

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

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$441,214	\$439,274	(\$1,940)
Capital Projects	2,000	4,112	2,112
Private Purpose Trust	16	100	84
Total	\$443,230	\$443,486	\$256

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$439,596	\$489,805	(\$50,209)
Capital Projects	0	26,312	(26,312)
Private Purpose Trust	0	325	(325)
Total	\$439,596	\$516,442	(\$76,846)

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity - (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$409,959	\$414,911	\$4,952
Capital Projects	250	1,348	1,098
Private Purpose Trust	180	19	(161)
Total	\$410,389	\$416,278	\$5,889

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,925	\$444,771	(\$48,846)
Capital Projects	0	4,080	(4,080)
Private Purpose Trust	0	550	(550)
Total	\$395,925	\$449,401	(\$53,476)

4. Grants-in-aid

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.

5. 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>2010 - 2011</i>	<i>0%</i>	<i>24%</i>
<i>PERS – Local – Part-time employees</i>	<i>2010 - 2011</i>	<i>10%</i>	<i>14%</i>
<i>PERS – Local- Employees hired after 2009</i>	<i>2010 - 2011</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 2011 and 2010, part-time OPERS members 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. As a result, these OPERS members contributed 0% of their gross salaries and the Library contributed an amount equaling 24% of participants' gross salaries. Employees hired after 2009 paid 10% and the Library contributed 14%.

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

7. Public Entity Shared Risk Pool

The Library participates in the Northeast Ohio Regional Library System Insurance Consortium (the Consortium), a shared risk pool comprised of member libraries throughout Northeast Ohio. The purpose of the Consortium is to establish and maintain a fund to which Consortium members will contribute to provide and/or purchase medical, prescription drug, vision, dental, life, and other insurance benefits for employees and their eligible dependents or beneficiaries. The members of the Board of Trustees of the Northeast Ohio Regional Library System shall be members of the Board of Trustees of the Consortium. The Consortium revenues are generated from charges for services.

8. Jointly Governed Organization

The Trumbull Library Consortium is a jointly governed organization comprised of six libraries in Trumbull County. The purpose of the Consortium is for member libraries to work cooperatively on projects to improve the quality of library services to residents of Trumbull County. Each member library shall appoint one representative to Council. Member libraries are billed annually for their fair share of any program costs. All disbursements are made only upon direction of a majority vote of the Trumbull Library Consortium Council.

The Consortium have entered into agreements with the Library Corporation Inc. (ended on September 30, 2011) and CLEVENET (started on October 1, 2011), both companies offer the same services, which have developed a computerized system consisting of hardware and software for authority control, cataloging management, public access catalog, circulation, external/internal multimedia database access, and internet sessions. The computerized system is currently in use and providing services onsite at the location of each member library.

9. Subsequent Events

Kinsman Free Public Library depends primarily on the Public Library Fund (PLF) established by the State of Ohio with revenue coming from the Ohio general fund state taxes. Prior to the PLF, the primary source of funding was the Local Library Government Support Fund (LLGSF), which was portion of state income tax revenue disbursed to libraries. Since the implementation of the PLF in 2009, revenue distribution has been drastically reduced at the state level. This led to the library passing a 1.9 mill property tax levy in 2011, with collections starting in 2012. For monies from the PLF, the Trumbull County Libraries negotiate and reformulate the amount of dollars each Library will be entitled to for the upcoming year. The current agreement ends in 2012.

Library funding is continually affected by demographics and political changes in the State government. As the PLF is dependent on Ohio State Tax revenue, economic conditions have caused uncertain predictions for the near future.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Kinsman Free Public Library, Trumbull County (the Library) as of and for the years ended December 31, 2011 and 2010 and have issued our report thereon dated June 11, 2013, wherein we noted the Library adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We also noted the Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 through 2011-04 and 2011-07 through 2011-11 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-09.

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated June 11, 2013.

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

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2013

**KINSMAN FREE PUBLIC LIBRARY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011-2010**

1. Payroll Withholding Taxes

Finding Number	2011-01
-----------------------	----------------

Noncompliance and Material Weakness

26 USCS Sections 3102 and 3402 require the employing government to withhold federal and employment-related taxes (such as Medicare and Social Security) from each employee. In addition, **Ohio Revised Code Sections 5747.06 and Chapter 145** require the employing government to withhold State employment-related taxes and retirement contributions from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these withholdings.

The Library properly withheld Federal and State income taxes along with Ohio Public Employees Retirement System (OPERS) contributions, however, failed to make payments in a timely manner. A summary is as follows:

- At December 31, 2011 and 2010, the Library owed the Internal Revenue Service (IRS) \$28,071 and \$7,172, respectively, for federal taxes withheld March through December of 2011 and the October through December of 2010. Payment on these taxes was made in April of 2012 and January of 2011, respectively;
- During 2011, we determined the Library was paying State income taxes withheld every four to five months. At December 31, 2010, the Library owed \$1,716 for state taxes withheld October through December of 2010. Payment on these taxes was made in January of 2011; and
- At December 31, 2011 and 2010, the Library owed OPERS \$25,779 and \$14,998, respectively, for retirement contributions withheld August through December of 2011 and October through December of 2010. Payment on these contributions was made in April of 2012 and January of 2011, respectively.

In addition, we noted the Library accumulated and/or paid the following related fees:

- \$9,704 for failure to make a deposit to the IRS for tax periods September 30, and December 31, 2010, and March 31, June 30, September 30, and December 31, 2011. These amounts have been paid and the Library is making current payments on a timely basis;
- \$568 to the Ohio Department of Taxation for failure to pay State income taxes during 2010. The delinquent account was later turned over to the Ohio Attorney General's Office and subsequently to a collection agency. This fee was later paid during 2012;
- \$713 and \$1,317, and \$684 during 2010, 2011 and 2012, respectively, to the OPERS, which have been paid; and
- \$722 and \$157 during 2010 and 2011, respectively, to the Ohio Department of Job and Family Services. The fees accumulated in 2010 were paid during that year, and the fees accumulated in 2011 were paid in the subsequent year.

Failure to remit withholding payments in a timely manner could result in further late fees and penalties assessed to the Library.

1. Payroll Withholding Taxes – (Continued)

<i>Finding Number</i>	2011-01 – (Continued)
------------------------------	------------------------------

The Director has asserted the Library is currently up-to-date with payroll tax obligations.

We recommend the Library promptly pay taxes that are withheld to avoid any future penalties and interest that may be imposed on the Library.

Official's Response: The Library is currently paying taxes promptly. Intend to comply.

2. Finding for Recovery Repaid Under Audit - Credit Card Purchases

<i>Finding Number</i>	2011-02
------------------------------	----------------

Noncompliance And Material Weakness

According to the Library's Credit Card policy, the check signee shall review each credit card statement and the Board will periodically review use of the credit card and credit limits to insure that the cards are used in the best interest of the Library.

During January 1, 2010 through September 30, 2012 (the Period), four Library credit cards were used by the former fiscal officer Sharon VanKanegan, including one that was used by Ms. VanKanegan and Darla Bates, the Director, to make purchases totaling \$48,897. Of this amount \$22,830 was not supported by documentation or were for purchases unrelated to Library operations. Due to the lack of available documentation, we could not conclude whether certain purchases were related to the Library, for example, the purchase of gift cards from retailers such as Barnes and Noble and Toys R Us. In addition, several payments made to Amazon, Sam's Club, Sam's Club Discover and Bank of America were made over the telephone and internet, rather than through the normal voucher system and not paid on a timely basis, which resulted in late fees and finance charges. In addition, nine employees had a \$35 membership to Sam's Club charged to the Library's Discover card each year during the Period, for a total of \$945. Of this amount, the Library provided cancelled checks totaling \$140 paid back and deposited in to the Library's bank account, however, could not provide documentation for the remaining \$805 showing amounts paid in cash were deposited and recorded in to the Library's accounting system or for memberships paid by the Library. Finally, the Sam's Club Discover card earns rewards on purchases, and a check is remitted with the February statements. Of the three February statements reviewed, one check in the amount of \$65 was not included with the statement, which is in the name of Ms. VanKanegan.

Ms. VanKanegan also used the Library's Sam's Club credit card to make purchases totaling \$7,648 that were not for Library operations. The purchases included a grill, laptop, Ipod shuffle, movies, video games, gift cards, grocery items, health and beauty products, gasoline for a personal vehicle, and clothing items. Of this amount, Ms. VanKanegan paid \$176 from her personal checking account to the credit card company for the personal charges. Purchase amounts were charged to the Library's account, thus, there were no signed receipts; however, Ms. VanKanegan had control of the Sam's Club credit card and was also responsible for preparing disbursements and maintaining support for the expenditures.

2. Finding for Recovery Repaid Under Audit - Credit Card Purchases – (Continued)

<i>Finding Number</i>	2011-02 – (Continued)
------------------------------	------------------------------

The Library also requested the review of the Sam's Club credit card statements for the period November 2006 through December 31, 2009 for charges that were personal in nature. During this period, purchases were made totaling \$2,343 and of this amount, \$1,448 was not for Library purposes. The purchases included grocery items, clothing, magazines, movies and a webcam. Purchase amounts were charged to the Library's account, thus, there were no signed receipts; however, Ms. VanKanegan had control of the Sam's Club credit card and was also responsible for preparing disbursements and maintaining support for the expenditures.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Sharon VanKanegan and her bonding company, Auto Owners Mutual Insurance Company, in the amount of \$22,830 in favor of Kinsman Free Public Library General Fund. In addition, Darla Bates and her bonding company, Auto Owners Mutual Insurance Company, are jointly and severally liable for \$4,315, which represents the amount of the checks signed by Mrs. Bates for which no supporting documentation was available for charges made.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official's Response: Closed 2 credit card accounts. Intend to comply.

3. Finding for Recovery Repaid Under Audit - Overpayment of Wages

<i>Finding Number</i>	2011-03
------------------------------	----------------

Noncompliance and Material Weakness

At December 31, 2011 and 2010, it was determined that Sharon VanKanegan, the Fiscal Officer of the Kinsman Free Public Library, paid herself 25 pays, as opposed to 24 pays per the Board of Trustees policy. As a result of this, Mrs. VanKanegan was overpaid \$2,200. There was no evidence of approval of the extra money by the Board of Trustees.

The payments in question were authorized by Sharon VanKanegan, Fiscal Officer, and Darla Bates, Director and Deputy Fiscal Officer.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sharon VanKanegan, Fiscal Officer, in the amount of \$2,200 in favor of the Kinsman Free Public Library General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

3. Finding for Recovery Repaid Under Audit - Overpayment of Wages – (Continued)

<i>Finding Number</i>	2011-03 – (Continued)
------------------------------	------------------------------

Accordingly, Sharon VanKanegan, Fiscal Officer, her bonding company, Auto Owners Mutual Insurance Company, and Darla Bates, Director and Deputy Fiscal Officer, are jointly and severally liable in the amount of \$2,200 and in favor of the Kinsman Free Public Library General Fund.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official’s Response: Intend to comply.

4. Finding for Recovery Repaid Under Audit - Revenue Collections

<i>Finding Number</i>	2011-04
------------------------------	----------------

Noncompliance and Material Weakness

As Library Fiscal Officer, Sharon VanKanegan was responsible for depositing revenue collected by the Library staff from patron fines, miscellaneous fees, and miscellaneous collections.

On a daily basis, Library staff would complete a Cash Summary Sheet showing the amount of coin, cash and checks collected and leave the sheet along with all monies collected in a safe to be picked up by Ms. VanKanegan. The following day, Ms. VanKanegan would collect the Cash Summary Sheet along with the monies and was to record an entry in the accounting system, deposit the monies in to the checking account and maintain the Cash Summary Sheets in her office. For the period examined, it was determined the Cash Summary Sheets were destroyed by Ms. VanKanegan, and as a result, collections in the amount of \$15,354 could not be identified as being deposited or recorded in the accounting system.

We also noted from our review of the Trustees’ meetings minutes that the Library placed a Wishing Well at the Library to help raise funds, and collected \$1,000 as of March 9, 2010; however, we could not identify any of this money being receipted in to the UAN system or deposited in the bank since no log of these monies was kept.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies collected but not accounted for is hereby issued in the amount of \$16,354 (\$15,354 plus \$1,000) against Sharon VanKanegan and her bonding company, Auto Owners Mutual Insurance Company, in favor of Kinsman Free Public Library General Fund.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official’s Response: Cash summary sheets being kept. Intend to comply.

5. Proper Encumbering

<i>Finding Number</i>	2011-05
------------------------------	----------------

Noncompliance

The Library's expenditures policy requires the use of purchase orders for items purchased.

We noted exceptions in 32% of the vouchers tested during the audit period, whereby purchase orders were dated subsequent to the invoice date. This indicates monies were not encumbered before the goods or services were received.

We recommend the Library process purchase orders in its computerized accounting system and encumber funds prior to receiving or contracting for goods or services.

Official's Response: Purchase orders being issued in a timely manner. Intend to comply.

6. Library Records Commission

<i>Finding Number</i>	2011-06
------------------------------	----------------

Noncompliance

Ohio Revised Code Section 149.351(A) states "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

Ohio Revised Code Section 149.411 provides, in part, that each free public library create a records commission comprised of the Fiscal Officer and members of the Library Board of Trustees and shall meet at least once every twelve months. The records commission is responsible for reviewing applications for the disposal of obsolete records in accordance with record retention laws.

Each day, the librarians prepare a Cash Summary Sheet which includes information such as the amount of cash, coin and checks collected, along with the amount of money in each of the two bags. This amount is to be reconciled to the Fines Paid Report printed daily from the ClevNet software system, which are then to be turned in to the Fiscal Officer for receipt and deposit.

During our review, it was determined these sheets were destroyed by the Fiscal Officer for the period January 1, 2010 through September 3, 2012 and destruction of these records was not approved by the Library's Records Commission. In addition, the Library was unable to provide an employee's timecard for the second pay period in January of 2010 and a purchase order for one of the voucher packages tested. Finally, supporting documentation was not provided for all credit card purchases made for the period January 1, 2010 through September 3, 2012.

6. Library Records Commission – (Continued)

<i>Finding Number</i>	<i>2011-06 – (Continued)</i>
------------------------------	-------------------------------------

Failure to comply with this Revised Code Section could result in misuse of public funds and possible sanctions from the Ohio Auditor of State and Ohio Historical Society.

We recommend all records be approved by the Library's Record Commission before being destroyed.

Official's Response: Intend to comply.

7. Finding for Recovery Repaid Under Audit - Money Market Account Check

<i>Finding Number</i>	<i>2011-07</i>
------------------------------	-----------------------

Noncompliance and Material Weakness

On December 22, 2011, it was determined that Sharon VanKanegan, the Fiscal Officer of the Kinsman Free Public Library, wrote herself a check from the Library's Money Market Savings account for \$2,800. There was no evidence of approval of the check by the Board of Trustees. In addition, a Board member that also signed the check believes Mrs. VanKanegan forged her signature on the check. As a result of this, Mrs. VanKanegan was not entitled to the \$2,800. During an interview with Ms. VanKanegan, she acknowledged signing the check on behalf of the Board member.

As a result, an overpayment of \$2,800 occurred to Sharon VanKanegan, Fiscal Officer.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sharon VanKanegan, Fiscal Officer, in the amount of \$2,800 in favor of the Kinsman Free Public Library General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

Accordingly, Sharon VanKanegan, Fiscal Officer, and her bonding company, Auto Owners Mutual Insurance Company, are liable in the amount of \$2,800 and in favor of the Kinsman Free Public Library General Fund.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official's Response: Intend to comply.

8. Finding for Recovery Repaid Under Audit - Petty Cash Disbursements

<i>Finding Number</i>	2011-08
------------------------------	----------------

Noncompliance and Material Weakness

During the period January 1, 2010 to September 30, 2012, the Library made five checks payable to Petty Cash. Of the five checks, three were not supported by documentation or were supported by only a check stub, and one was supported by itemized receipts, however, the itemized receipts did not equal the amount for which the check was issued.

The payments in question were authorized by Sharon VanKanegan, Fiscal Officer, and Darla Bates, Director and Deputy Fiscal Officer.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sharon VanKanegan, Fiscal Officer, in the amount of \$265 in favor of the Kinsman Free Public Library General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

Accordingly, Sharon VanKanegan, Fiscal Officer, her bonding company, Auto Owners Mutual Insurance Company, and Darla Bates, Director and Deputy Fiscal Officer, are jointly and severally liable in the amount of \$265 and in favor of the Kinsman Free Public Library General Fund.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official's Response: Intend to comply.

9. Finding for Recovery Repaid Under Audit - Travel Reimbursements

<i>Finding Number</i>	2011-09
------------------------------	----------------

Noncompliance and Material Weakness

As Library Fiscal Officer, Sharon VanKanegan was responsible for preparing disbursements and maintaining support for expenditures. Ms. VanKanegan received payments totaling \$2,310 for travel reimbursements that were not supported by documentation nor claimed to locations where there was confirmed training attended by Ms. VanKanegan or any other legitimate Library related reason for traveling to the location. Due to the lack of available documentation, we were unable to determine whether the expenditures were for purposes related to the operations of the Library.

The payments in question were authorized by Sharon VanKanegan, Fiscal Officer, Darla Bates, Director and Deputy Fiscal Officer, and Richard Thompson and Deborah Yeager, Board of Trustee members.

9. Finding for Recovery Repaid Under Audit - Travel Reimbursements – (Continued)

<i>Finding Number</i>	2011-09 – (Continued)
------------------------------	------------------------------

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued against Sharon VanKanegan and her bonding company, Auto Owners Mutual Insurance Company, in the amount of \$2,310 for public monies illegally expended in favor of Kinsman Free Public Library. In addition, Darla Bates and her bonding company, Auto Owners Mutual Insurance Company, Richard Thompson and Deborah Yeager and their bonding company, Chubb Group of Insurance Companies, are jointly and severally liable for \$1,698, \$104 and \$508, respectively.

On July 23, 2013, Auto Owners Mutual Insurance Company repaid the entire amount of the finding for recovery.

Official's Response: Intend to comply.

10. Cash Reconciliation

<i>Finding Number</i>	2011-10
------------------------------	----------------

Material Weakness

During our testing of the December 2011 bank reconciliation, we noted the following:

- The Fiscal Officer listed an investment balance of \$234,358; however, the bank confirmation listed a balance of \$277,276, for a variance of \$42,918;
- The Fiscal Officer listed other adjusting factors of \$3,222, which included a deposit in transit amount of \$54,098. During our review of the subsequent month's bank statements and ledgers, it was determined the amount was deposited into the bank and recorded in the accounting software system during the same month. In addition, the other adjusting factors included an amount of \$2,974, which were for credit card charges paid online. During our review, it was determined the charges were paid and recorded in the accounting software system during 2012. As a result, both items should not have been included on the reconciliation; and
- The Fiscal Officer was writing checks out of the Money Market Savings Account, some of which were not being recorded in the accounting software system, and amounted to \$4,500.

As a result of the items noted above, the Library's accounting system has a balance of \$7,794 more than the bank.

We recommend the Fiscal Officer properly report the balances per the bank on the monthly reconciliation and only include those items that were recorded in the system and subsequently cleared the bank as other reconciling items.

Official's Response: Bank balance matches accounting system, as of August 2012. Intend to comply.

11. Receipts Cycle

<i>Finding Number</i>	2011-11
------------------------------	----------------

Material Weakness

During our review of cash receipts we noted the following conditions:

- Duplicate receipt books are maintained at the front desk, however, they are only used for those customers who ask for a receipt;
- When a duplicate receipt was prepared, in some instances, we noticed a method of payment was not documented, the receipt was not signed, and the purpose of the payment was not documented;
- When reviewing deposit slips, none of them documented the date it was prepared, nor was the amount of cash deposited documented on the slip;
- When reviewing subsequent receipts issued by the Fiscal Officer, we noted only a select few were signed, as opposed to all receipts being signed and others had to be re-printed;
- When reviewing receipts provided by the Library, there was no supporting documentation attached (i.e. copy of checks received or remittance received from an outside source such as the County or business);
- When reviewing receipts posted to the UAN system, we noted there was not a description of the revenue source or payee;
- The Library purchases items such as water, pop, chips and candy bars which are sold to employees. The proceeds from the purchases were to be used to replenish these items, however, we noted Library funds were used to replenish items throughout the audit period;
- When reviewing the minutes, we determined the Library placed a Wishing Well at the Library to help raise funds, collecting \$1,000 as of March 9, 2010, however, we could not identify money being receipted in to the UAN system or deposited in the bank since no log of these monies was kept, (See Finding 2011-04 for a Finding for Recovery for these monies) and;
- The Library holds book sales the first Saturday of May and November to help raise funds. During our inquiry of the Director and Board members, it was determined a log was not kept of the monies collected, therefore, we could not determine whether these funds were properly recorded in the UAN system and deposited.

Failure to issue a completed and signed receipt for all monies received and properly complete deposit slips could result in misuse of public funds and an unreconciled bank to book balance.

We recommend the Library implement the procedures noted above and ensure a receipt is issued for all monies collected and includes information such as payee, amount, method of payment, and a description of the payment made to the Library. In addition, we recommend the employee preparing the deposit slip include the amount of cash deposited along with a date so amounts can be easily traced to the bank statements. Furthermore, a receipt should be provided from the person collecting and depositing the monies each morning from the locked cupboard to the Librarians who originally received the money. Finally, for all fundraising events held at the Library throughout the year, we recommend the Library maintain a log of all money collected.

Official's Response: Intend to comply.

This page intentionally left blank.



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
AUGUST 8, 2013**