



Dave Yost • Auditor of State



**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Defiance Public Library  
Defiance County  
320 Fort Street  
Defiance, Ohio 43512-2186

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Defiance Public Library, Defiance County, Ohio (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 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 Defiance Public Library, Defiance County, Ohio 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 29, 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

September 29, 2014

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

	General	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$532,916		\$532,916
Public Library	1,144,688		1,144,688
Patron Fines and Fees	22,685		22,685
E-Rate	16,141		16,141
Contributions, Gifts and Donations	4,150	\$33,050	37,200
Earnings on Investments	3,494	1,201	4,695
Miscellaneous	7,523		7,523
<i>Total Cash Receipts</i>	<u>1,731,597</u>	<u>34,251</u>	<u>1,765,848</u>
<b>Cash Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,495,537		1,495,537
Support Services:			
Facilities Operation and Maintenance		60,226	60,226
Capital Outlay	41,746		41,746
<i>Total Cash Disbursements</i>	<u>1,537,283</u>	<u>60,226</u>	<u>1,597,509</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>194,314</u>	<u>(25,975)</u>	<u>168,339</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	529		529
Transfers In		280,000	280,000
Transfers Out	(280,000)		(280,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(279,471)</u>	<u>280,000</u>	<u>529</u>
<i>Net Change in Fund Cash Balances</i>	(85,157)	254,025	168,868
<i>Fund Cash Balances, January 1</i>	<u>1,549,991</u>	<u>628,024</u>	<u>2,178,015</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	242,467	882,049	1,124,516
Unassigned	1,222,367		1,222,367
<i>Fund Cash Balances, December 31</i>	<u>\$1,464,834</u>	<u>\$882,049</u>	<u>\$2,346,883</u>

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

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

	General	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$448,341		\$448,341
Public Library	1,119,024		1,119,024
Intergovernmental	66,782	\$300,000	366,782
Patron Fines and Fees	24,573		24,573
E Rate	15,283		15,283
Contributions, Gifts and Donations	14,495	110,972	125,467
Earnings on Investments	7,529	1,684	9,213
Miscellaneous	4,284		4,284
<i>Total Cash Receipts</i>	<u>1,700,311</u>	<u>412,656</u>	<u>2,112,967</u>
<b>Cash Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,576,282		1,576,282
Support Services:			
Facilities Operation and Maintenance		68,068	68,068
Capital Outlay	39,920	58,494	98,414
<i>Total Cash Disbursements</i>	<u>1,616,202</u>	<u>126,562</u>	<u>1,742,764</u>
<i>Excess of Receipts Over Disbursements</i>	<u>84,109</u>	<u>286,094</u>	<u>370,203</u>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		88,748	88,748
Transfers Out	(40,000)	(48,748)	(88,748)
Advances In		300,000	300,000
Advances Out		(300,000)	(300,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(40,000)</u>	<u>40,000</u>	
<i>Net Change in Fund Cash Balances</i>	44,109	326,094	370,203
<i>Fund Cash Balances, January 1</i>	<u>1,505,882</u>	<u>301,930</u>	<u>1,807,812</u>
<b>Fund Cash Balances, December 31</b>			
Assigned	138,379	628,024	766,403
Unassigned	1,411,612		1,411,612
<i>Fund Cash Balances, December 31</i>	<u>\$1,549,991</u>	<u>\$628,024</u>	<u>\$2,178,015</u>

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

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE 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 Defiance Public Library, Defiance County, (the Library) as a body corporate and politic. In 2013, due to a change in Ohio Revised Code § 3375.12, the governing Board changed from a six-member Board of Trustees appointed by the Mayor of the City of Defiance to a seven-member Board of Trustees appointed by the Council of the City of Defiance. 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 in the mutual fund 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Capital Project Funds**

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

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

project funds:

*Permanent Improvement Fund* – This fund utilizes transfers from the General Fund and community donations to make improvements to the buildings.

*American Recovery and Reinvestment Act (ARRA) Fund* – This fund utilizes transfers and advances from the Permanent Improvement Fund and an ARRA grant for the purpose of renovations to the main branch of the library.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated. Budgetary expenditures may not exceed appropriations at the fund, function, 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.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

**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:

	2013	2012
Demand deposits	\$166,923	\$248,726
Certificates of deposit	806,206	1,006,124
Petty Cash	345	345
Total deposits	973,474	1,255,195
STAR Ohio	1,373,409	922,820
Total deposits and investments	\$2,346,883	\$2,178,015

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

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 December 21, 2013 and 2012 follows:

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,641,408	\$1,732,126	\$90,718
Capital Projects	334,100	314,251	(19,849)
Total	<u>\$1,975,508</u>	<u>\$2,046,377</u>	<u>\$70,869</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,056,777	\$1,863,865	\$192,912
Capital Projects	701,425	66,349	635,076
Total	<u>\$2,758,202</u>	<u>\$1,930,214</u>	<u>\$827,988</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,682,258	\$1,700,311	\$18,053
Capital Projects	488,848	501,404	12,556
Total	<u>\$2,171,106</u>	<u>\$2,201,715</u>	<u>\$30,609</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,915,872	\$1,674,779	\$241,093
Capital Projects	748,367	190,610	557,757
Total	<u>\$2,664,239</u>	<u>\$1,865,389</u>	<u>\$798,850</u>

**4. Grants-in-aid and Tax Receipts**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. 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.

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.

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. Retirement System**

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 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

**6. Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**7. Interfund Advances**

During 2012 a prior year advance of \$300,000 was returned from the American Recovery and Reinvestment Act (ARRA) Fund to the Permanent Improvement Fund.

**8. Transfers**

In 2012 and 2013, the Library had transfers as follows:

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

<b>2012:</b>	Transfers From:	Transfers To:
<b>General</b>	\$40,000	
<b>Capital Projects Fund</b>		
Permanent Improvement Fund	48,748	
	\$88,748	
<b>Capital Projects Fund</b>		
American Recovery and Reinvestment Act (ARRA) Fund		\$48,748
Permanent Improvement Fund		40,000
		\$88,748
<b>2013:</b>	Transfers From:	Transfers To:
<b>General</b>	\$280,000	
<b>Capital Projects Fund</b>		
Building and Repair Fund		\$140,000
Permanent Improvement Fund		140,000
		\$280,000

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.



# 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*

Defiance Public Library  
Defiance County  
320 Fort Street  
Defiance, Ohio 43512-2186

To the Board of Trustees

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Defiance Public Library, Defiance County, Ohio (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2014 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 29, 2014

**DEFIANCE PUBLIC LIBRARY  
DEFIANCE COUNTY**

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

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

**FINDING NUMBER 2013-001**

**Material Weakness - Financial Reporting**

Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

The 2013 and 2012 financial statements contained the following material errors:

- As December 31, 2013 and 2012, the General Fund assigned fund balance was understated and the unassigned fund balance was overstated by \$195,885 and \$119,802 respectively, because the subsequent year's appropriations exceeded the subsequent year's estimated receipts.
- As of December 31, 2013 and 2012, the Permanent Improvement Fund assigned fund balance was understated and the unassigned fund overstated by \$512,180 and \$389,419 respectively.

Adjusting entries were posted to the financial statements to correct these errors.

In order to ensure the Library's governmental fund balances are reported in accordance with GASB 54, we recommend the Fiscal Officer review Auditor of State Bulletin 2011-004. We also recommend the Board adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct notes and omissions.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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# Dave Yost • Auditor of State

**DEFIANCE PUBLIC LIBRARY**

**DEFIANCE 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 14, 2014**