



Dave Yost • Auditor of State

HURON PUBLIC LIBRARY
ERIE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Huron Public Library
Erie County
333 Williams Street
Huron, Ohio 44839-1650

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Huron Public Library, Erie 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 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 Huron Public Library, Erie 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2012, the Library reclassified a fund previously classified as a permanent fund to a capital projects fund. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 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

June 11, 2014

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$279,309			\$279,309
Public Library	302,340			302,340
Intergovernmental	38,961	\$945		39,906
Patron Fines and Fees	27,355			27,355
Contributions, Gifts and Donations	7,585	3,473		11,058
Earnings on Investments	257		\$238	495
Miscellaneous	13,613			13,613
<i>Total Cash Receipts</i>	<u>669,420</u>	<u>4,418</u>	<u>238</u>	<u>674,076</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	430,926	1,000		431,926
Collection Development and Processing	166,399	1,717		168,116
Support Services:				
Facilities Operation and Maintenance	72,179			72,179
Business Administration	9,736			9,736
Capital Outlay			10,638	10,638
<i>Total Cash Disbursements</i>	<u>679,240</u>	<u>2,717</u>	<u>10,638</u>	<u>692,595</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,820)</u>	<u>1,701</u>	<u>(10,400)</u>	<u>(18,519)</u>
Other Financing Disbursements				
Other Financing Uses	(2,682)			(2,682)
<i>Net Change in Fund Cash Balances</i>	(12,502)	1,701	(10,400)	(21,201)
<i>Fund Cash Balances, January 1</i>	<u>401,018</u>	<u>4,931</u>	<u>232,057</u>	<u>638,006</u>
Fund Cash Balances, December 31				
Restricted		6,632		6,632
Assigned			221,657	221,657
Unassigned	388,516			388,516
<i>Fund Cash Balances, December 31</i>	<u>\$388,516</u>	<u>\$6,632</u>	<u>\$221,657</u>	<u>\$616,805</u>

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

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$288,552			\$288,552
Public Library	295,573			295,573
Intergovernmental	50,973	\$1,512		52,485
Patron Fines and Fees	24,121			24,121
Contributions, Gifts and Donations	27,269	2,428		29,697
Earnings on Investments	380		\$800	1,180
Miscellaneous	7,369			7,369
<i>Total Cash Receipts</i>	<u>694,237</u>	<u>3,940</u>	<u>800</u>	<u>698,977</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	402,553			402,553
Collection Development and Processing	107,653	3,598		111,251
Support Services:				
Facilities Operation and Maintenance	80,227			80,227
Business Administration	10,694			10,694
Capital Outlay	11,680		14,322	26,002
<i>Total Cash Disbursements</i>	<u>612,807</u>	<u>3,598</u>	<u>14,322</u>	<u>630,727</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>81,430</u>	<u>342</u>	<u>(13,522)</u>	<u>68,250</u>
Other Financing Disbursements				
Other Financing Uses	(146)			(146)
<i>Net Change in Fund Cash Balances</i>	81,284	342	(13,522)	68,104
<i>Fund Cash Balances, January 1, Restated</i>	<u>319,734</u>	<u>4,589</u>	<u>245,579</u>	<u>569,902</u>
Fund Cash Balances, December 31				
Restricted		4,931		4,931
Committed			99	99
Assigned	30,018		231,958	261,976
Unassigned	371,000			371,000
<i>Fund Cash Balances, December 31</i>	<u>\$401,018</u>	<u>\$4,931</u>	<u>\$232,057</u>	<u>\$638,006</u>

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

**HURON PUBLIC LIBRARY
ERIE 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 Huron Public Library, Erie County, Ohio (the Library) as a body corporate and politic. The Huron City School District 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 participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members.

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 certificates of deposit at cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

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.

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than capital projects. The Library had the following significant Special Revenue Funds:

Chaney Fund – This fund receives contributions and donations which are to be used for large print books.

Youth Connection Fund – This fund receives contributions and donations which are to be used for the children’s program and concessions.

Mylander Fund – This fund receives contributions and donations which are to be used for the children’s programs.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant Capital Project Fund:

Permanent Improvement Fund – This fund receives interest and General Fund transfers and is used to account all financial activity related to building repair or improvements.

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 4.

F. Fund Balance

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

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

HURON PUBLIC LIBRARY
ERIE COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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.

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

2. RESTATEMENT OF FUND BALANCE

In 2012 the Library reclassified the fund previously reported as a Permanent Fund to a Capital Projects fund as the Library deems this classification to more accurately represent the level of restriction and intended use of these monies. This change in classification had the following effect on fund balances previously reported for the year ended December 31, 2011:

	Capital Projects	Permanent	Total
Fund balance December 31, 2011	\$99	\$245,480	\$245,579
Fund reclassification	245,480	(245,480)	
Fund balance December 31, 2011, Restated	\$245,579		\$245,579

3. 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	\$140,936	\$136,280
Certificates of deposit	101,357	100,851
Total deposits	242,293	237,131
STAR Ohio	374,512	400,874
Total deposits and investments	\$616,805	\$638,006

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

4. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts			
	Budgeted Receipts	Actual Receipts	Variance
General	\$670,516	\$669,420	(\$1,096)
Special Revenue	2,000	4,418	2,418
Capital Projects		238	238
Total	\$672,516	\$674,076	\$1,560

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$775,448	\$695,509	\$79,939
Special Revenue	3,318	2,718	600
Capital Projects	29,786	10,836	18,950
Total	\$808,552	\$709,063	\$99,489

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$688,000	\$694,237	\$6,237
Special Revenue	4,603	3,940	(663)
Capital Projects		800	800
Total	\$692,603	\$698,977	\$6,374

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$703,365	\$642,980	\$60,385
Special Revenue	6,188	3,888	2,300
Capital Projects	50,348	19,010	31,338
Total	\$759,901	\$665,878	\$94,023

5. PUBLIC LIBRARY 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. 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.

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

5. PUBLIC LIBRARY AND TAX RECEIPTS (Continued)

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.

6. 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.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

HURON PUBLIC LIBRARY
ERIE COUNTY

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

7. RISK MANAGEMENT (Continued)

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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

Huron Public Library
Erie County
333 Williams Street
Huron, Ohio 44839-1650

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 Huron Public Library, Erie 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 June 11, 2014 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and wherein the Library reclassified a fund previously reported as a permanent fund to a capital projects fund in 2012.

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. We consider finding 2013-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies 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 significant deficiency.

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*.

Entity's Response to Findings

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.

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.



Dave Yost
Auditor of State

Columbus, Ohio

June 11, 2014

**HURON PUBLIC LIBRARY
ERIE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Significant Deficiency – Service Organization Payroll Controls

The Library has outsourced payroll processing, which is a significant accounting function, to a private company (a service organization). The Library has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that payroll disbursements have not been authorized or completely and accurately processed in accordance with its policies.

We recommend the Library implement control procedures to assure the completeness, accuracy, and classification of payroll disbursements processed by its service organization. Statement of Standards for Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the Library with reasonable assurance that payroll transactions conform to the contract.

We recommend the Library require a Type Two Service Organization Controls (SOC 1) report in its contract with the service organization. The Library should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. As an alternative to a SOC 1 Report, the Library may monitor disbursements its service organization processes.

The Library can monitor these disbursements by obtaining reports of processed payroll, selecting approved payroll disbursements from the listing, and then reviewing to ensure:

- The accuracy of the time compensated for selected employees;
- The accuracy of the gross pay and deduction calculations for selected employees; and
- The applicable withholdings are being made and accurately calculated.

The Library should retain copies of documentation supporting the review to evidence the extent of the items reviewed and the results of the review.

Officials' Response:

The Fiscal Officer does not feel it is cost effective to for the Library to switch to a payroll company that would prepare a SOC 1 report, nor is it cost effective, at this time, to bring payroll back in-house. The Fiscal Officer will bring the SOC 1 report recommendation to the Audit/Finance Committee for discussion. In the meantime the Fiscal Officer will follow through on the recommendations regarding reviewing the processed payroll reports to ensure the accuracy of the time compensated for, gross pay and deduction calculations, and withholdings being made.

FINDING NUMBER 2013-002

Material Weakness - Financial Reporting

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2012:

- Intergovernmental revenues in the amount of \$50,973 were incorrectly classified as Property and Other Local Taxes in the General Fund;
- Estimated Receipts were decreased in the Special Revenue Fund Type in the amount of \$400 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Budgeted Expenditures were increased in the Special Revenue Fund Type in the amount of \$2,300 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- General Fund outstanding encumbrances in the amount of \$30,018 were incorrectly classified as Unassigned fund balance; and
- Ending fund balance in the Permanent Improvement Fund (Capital Projects Fund Type) in the amount of \$231,958 was reclassified from Committed to Assigned.

We also identified errors, such as the following, requiring adjustment to the financial statements for the year ending December 31, 2013:

- Ending fund balance in the Permanent Improvement Fund (Capital Projects Fund Type) in the amount of \$221,657 was reclassified from Committed to Assigned.

Additionally, immaterial errors not requiring adjustment to the financial statements or notes to the financial statements were noted in the classification of certain receipt transactions, classification of fund balance, and amounts posted to the accounting system for estimated receipts in amounts ranging from \$3,786 to \$15,734.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Library's financial statements and notes to the statements are complete and accurate, the Library should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer is in agreement that errors have been made and that sound financial reporting is essential. The Fiscal Officer will review and discuss future postings.

During the 2010-2011 audit the Fiscal Officer was informed that Rollbacks and Homestead should be recorded in the Intergovernmental line item. Due to the timing of the audit in 2012, the Fiscal Officer waited until 2013 to record Rollbacks and Homestead in the Intergovernmental line item.



Dave Yost • Auditor of State

HURON PUBLIC LIBRARY

ERIE 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
JUNE 26, 2014