



Dave Yost • Auditor of State

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Grafton-Midview Public Library
Lorain County
983 Main Street
Grafton, Ohio 44044

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Grafton-Midview Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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 the Grafton-Midview Public Library, Lorain County, Ohio, as of December 31, 2015 and 2014, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, 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

February 16, 2017

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$478,778				\$478,778
Public Library Funds	607,880				607,880
Patron Fees and Fines	22,953				22,953
Intergovernmental	74,092				74,092
Contributions, Gifts, and Donations	3,262	\$10,000			13,262
Earnings on Investments	44	5,014	\$620	(\$3,521)	2,157
Miscellaneous	13,619				13,619
<i>Total Cash Receipts</i>	<u>1,200,628</u>	<u>15,014</u>	<u>620</u>	<u>(3,521)</u>	<u>1,212,741</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	408,750	17,047			425,797
Collection Development and Processing	407,668				407,668
Support Services:					
Facilities Operation and Maintenance	60,172		6,233		66,405
Information Services	8,942				8,942
Business Administration	168,863				168,863
<i>Total Cash Disbursements</i>	<u>1,054,395</u>	<u>17,047</u>	<u>6,233</u>		<u>1,077,675</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>146,233</u>	<u>(2,033)</u>	<u>(5,613)</u>	<u>(3,521)</u>	<u>135,066</u>
Other Financing Receipts (Disbursements)					
Transfers In			100,000		100,000
Transfers Out	(100,000)				(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,000)</u>		<u>100,000</u>		
<i>Net Change in Fund Cash Balances</i>	46,233	(2,033)	94,387	(3,521)	135,066
<i>Fund Cash Balances, January 1</i>	<u>514,985</u>	<u>13,703</u>	<u>407,101</u>	<u>202,356</u>	<u>1,138,145</u>
Fund Cash Balances, December 31					
Nonspendable				198,835	198,835
Restricted		11,670			11,670
Committed			501,488		501,488
Assigned	68,788				68,788
Unassigned	492,430				492,430
<i>Fund Cash Balances, December 31</i>	<u>\$561,218</u>	<u>\$11,670</u>	<u>\$501,488</u>	<u>\$198,835</u>	<u>\$1,273,211</u>

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$472,247				\$472,247
Public Library Funds	548,230				548,230
Patron Fees and Fines	21,940				21,940
Intergovernmental	73,721				73,721
Contributions, Gifts, and Donations	890	\$18,500			19,390
Earnings on Investments	72	4,465	\$127	\$40,502	45,166
Miscellaneous	11,767				11,767
<i>Total Cash Receipts</i>	<u>1,128,867</u>	<u>22,965</u>	<u>127</u>	<u>40,502</u>	<u>1,192,461</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	399,538	19,242			418,780
Collection Development and Processing	404,722				404,722
Support Services:					
Facilities Operation and Maintenance	63,573		31,338		94,911
Information Services	6,636				6,636
Business Administration	171,157				171,157
<i>Total Cash Disbursements</i>	<u>1,045,626</u>	<u>19,242</u>	<u>31,338</u>		<u>1,096,206</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>83,241</u>	<u>3,723</u>	<u>(31,211)</u>	<u>40,502</u>	<u>96,255</u>
Other Financing Receipts (Disbursements)					
Transfers In			150,000		150,000
Transfers Out	(150,000)				(150,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(150,000)</u>		<u>150,000</u>		
<i>Net Change in Fund Cash Balances</i>	(66,759)	3,723	118,789	40,502	96,255
<i>Fund Cash Balances, January 1</i>	<u>581,744</u>	<u>9,980</u>	<u>288,312</u>	<u>161,854</u>	<u>1,041,890</u>
Fund Cash Balances, December 31					
Nonspendable				202,356	202,356
Restricted		13,703			13,703
Committed			407,101		407,101
Assigned	47,182				47,182
Unassigned	467,803				467,803
<i>Fund Cash Balances, December 31</i>	<u>\$514,985</u>	<u>\$13,703</u>	<u>\$407,101</u>	<u>\$202,356</u>	<u>\$1,138,145</u>

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. Reporting Entity

The Grafton-Midview Public Library was organized as a school district public library in 1944 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Midview Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash-basis) for all governmental fund types.

B. Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. 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. Special Revenue Funds

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

Hendrix Revenue Fund- This fund receives interest earned from the Hendrix Endowment Trust Fund investments. The receipts are restricted to the purchase of books, movies, and collectible art.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Stocker Grant Fund- This fund is used to account for the contributions, gifts and donations received from the Stocker Foundation to be used for the summer reading program.

3. 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 Project Fund:

Building Fund- This fund receives transfers from the General Fund that are committed to the maintenance, repair, and construction of the Library

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant permanent fund:

Hendrix Endowment Fund- This fund accounts for the principal portion of the endowment received from the Hendrix estate. The donor indicated the principal could not be spent; however, the proceeds could be spent for the purchase of books, movies, and collectible art.

D. 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 the cost basis. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 level.

A summary of budgetary activity appears in Note 4.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. Summary of Significant Accounting Policies (Continued)

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.

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. Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. Summary of Significant Accounting Policies (Continued)

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.

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:

	2015	2014
STAR Ohio Plus	\$500,051	
Demand Deposits	350,769	\$291,455
Total Deposits	850,820	291,455
STAR Ohio	223,556	642,944
Hendrix Endowment	198,835	203,746
Total Investments	422,391	846,690
Total Deposits and Investments	\$1,273,211	\$1,138,145

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.

Upon the death of Veta Genevieve Hendrix on September 7, 1995, Premier Bank and Trust (Trustee), distributed the trust corpus of \$200,000 as directed in the April 6, 1994 trust agreement of Veta Genevieve Hendrix to the Library. The gift was to be retained and only the income was to be used to purchase books, movies, and collectible art. A judgment was issued by the Lorain County Court of Common Pleas, Probate Division, declaring the Hendrix Fund was not subject to the Uniform Depository Act in Ohio Revised Code Chapter 135. The Uniform Management of Institutional Funds Act, Ohio Revised Code Chapter 1715, allows trust funds to be invested in private, corporate and public securities. The Library's Board of Trustees authorized Lorain National Bank to establish a custodial account and direct the investment of the Hendrix funds. The following schedule accounts for the value of the fund at December 31, 2015 and 2014:

Initial Deposit at 10/31/2000	Cost Basis Unit Price at 12/31/15	Market Value Unit Price at 12/31/15
\$200,000	\$166,937	\$198,835
Initial Deposit at 10/31/2000	Cost Basis Unit Price at 12/31/14	Market Value Unit Price at 12/31/14
\$200,000	\$154,414	\$203,746

The Hendrix Endowment Fund accounts for the non-spendable principal of the trust. Earnings on investment receipts represent the change in fair value of investments between years. Since the fair market value represented an overall loss between 2014 and 2015, the fund reported negative receipts for earnings on investments in 2015.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. Budgetary Activity

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,132,099	\$1,200,628	\$68,529
Special Revenue	14,000	15,014	1,014
Capital Projects	-	100,620	100,620
Total	<u>\$1,146,099</u>	<u>\$1,316,262</u>	<u>\$170,163</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,223,183	\$1,223,183	\$0
Special Revenue	26,102	17,600	8,502
Capital Projects	50,040	6,233	43,807
Total	<u>\$1,299,325</u>	<u>\$1,247,016</u>	<u>\$52,309</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,131,099	\$1,128,867	(\$2,232)
Special Revenue	23,465	22,965	(500)
Capital Projects	-	150,127	150,127
Total	<u>\$1,154,564</u>	<u>\$1,301,959</u>	<u>\$147,395</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,237,594	\$1,242,808	(\$5,214)
Special Revenue	24,406	22,845	1,561
Capital Projects	82,323	31,378	50,945
Total	<u>\$1,344,323</u>	<u>\$1,297,031</u>	<u>\$47,292</u>

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. Property Tax and Grants in Aid

A. 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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

B. Property Taxes

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.

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

6. Retirement System

Ohio Public Employees Retirement System

The Library 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 2015 and 2014, 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, 2015.

6. Post-Employment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

7. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine
- Blanket
- Vehicles
- Umbrella
- Library Officials
- Employment Practices
- Surety Bond

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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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

Grafton-Midview Public Library
Lorain County
983 Main Street
Grafton, Ohio 44044

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 cash balances, receipts, and disbursements by fund type of the Grafton-Midview Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated February 16, 2017 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 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*.

Library's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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

February 16, 2017

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Significant Deficiency - Cash Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and the cash and investment balances according to the Library's accounting records at a specific point in time.

The following deficiencies were noted:

- The Library maintains a portfolio of investments for its Hendrix Endowment Fund, where the fair market values of the investments fluctuate. In 2015, the Library did not adjust the fair market value of the investments in the portfolio at fiscal year-end, leading to an overstatement in the cash fund balance of \$4,911. The financial statements were adjusted by management to reflect this error.
- The Library's bank balances did not reconcile to its accounting records in July 2014 and 2015, and December 2014 and 2015, the Library was unable to determine the source of the variances. The amounts varied between a book over bank balance of \$57 to a bank over book balance of \$81.

Without complete and accurate monthly bank reconciliations, the Library's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. Additionally, book over bank unreconciled variances could result in findings for recovery being issued against Library officials and personnel.

The Library should ensure bank accounts are reconciled to the accounting system at the end of each month. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Officials' Response: Month end closing procedures during 2014 and 2015 included recognition of a reconciliation amount where by resolution was deferred until the subsequent month in order to provide for timely completion of month end reports for distribution to the Board of Trustees.

Upon verbal notification by the AOS that this was not acceptable, in August 2016 the month end procedures were modified to include complete resolution of all reconciliation issues prior to closing the month and preparing the financial reports.

With regard to the Hendrix Fund, a system limitation within the CMI software prevented updating the fair market value at 12-31-2015; though the 01-01-2016 balance was subsequently updated correctly. As part of the 2016 end of year process the AOS was contacted and advised the Library to enter a revenue transaction to bring the Fund to 12-31-2016 fair market value.

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Dave Yost • Auditor of State

GRAFTON-MIDVIEW PUBLIC LIBRARY

LORAIN 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
MARCH 7, 2017