



Dave Yost • Auditor of State

ELYRIA PUBLIC LIBRARY
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Proprietary Fund Type For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) Proprietary Fund Type For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Elyria Public Library
Lorain County
320 Washington Avenue
Elyria, Ohio 44035

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 Elyria 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 or cash flows 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 Elyria 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 28, 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 28, 2017

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,959,334			\$1,959,334
Public Library	1,872,052			1,872,052
Intergovernmental	85,912			85,912
Patron Fines and Fees	77,480			77,480
Contributions, Gifts and Donations	50,730	\$63,858		114,588
Earnings on Investments	3,701	27	\$1,575	5,303
Miscellaneous	14,481			14,481
<i>Total Cash Receipts</i>	<u>4,063,690</u>	<u>63,885</u>	<u>1,575</u>	<u>4,129,150</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,809,446			1,809,446
Collection Development and Processing	486,974			486,974
Support Services:				
Facilities Operation and Maintenance	263,050		19,367	282,417
Information Services	101,650			101,650
Business Administration	961,246		6,494	967,740
Capital Outlay	26,680			26,680
<i>Total Cash Disbursements</i>	<u>3,649,046</u>		<u>25,861</u>	<u>3,674,907</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>414,644</u>	<u>63,885</u>	<u>(24,286)</u>	<u>454,243</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets			57,000	57,000
Other Financing Uses		(60,000)		(60,000)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(60,000)</u>	<u>57,000</u>	<u>(3,000)</u>
<i>Net Change in Fund Cash Balances</i>	414,644	3,885	32,714	451,243
<i>Fund Cash Balances, January 1</i>	<u>2,569,316</u>	<u>68,817</u>	<u>1,589,106</u>	<u>4,227,239</u>
Fund Cash Balances, December 31				
Restricted		4,730	1,621,820	1,626,550
Committed		67,972		67,972
Assigned	40,278			40,278
Unassigned	2,943,682			2,943,682
<i>Fund Cash Balances, December 31</i>	<u>\$2,983,960</u>	<u>\$72,702</u>	<u>\$1,621,820</u>	<u>\$4,678,482</u>

See accompanying notes to the basic financial statements

ELYRIA PUBLIC LIBRARY
LORAIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Enterprise</u>
<i>Fund Cash Balances, January 1</i>	<u>\$1,000</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,000</u></u>

See accompanying notes to the basic financial statements

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,435,753			\$1,435,753
Public Library	1,688,351			1,688,351
Intergovernmental	212,806			212,806
Patron Fines and Fees	85,032			85,032
Contributions, Gifts and Donations	18,249	\$26,580		44,829
Earnings on Investments	6,657	37	\$8,720	15,414
Miscellaneous	16,074			16,074
<i>Total Cash Receipts</i>	<u>3,462,922</u>	<u>26,617</u>	<u>8,720</u>	<u>3,498,259</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,412,097			1,412,097
Collection Development and Processing	633,456			633,456
Support Services:				
Facilities Operation and Maintenance	285,303	3,537	7,862	296,702
Information Services	95,022			95,022
Business Administration	1,015,384			1,015,384
Capital Outlay	17,006			17,006
<i>Total Cash Disbursements</i>	<u>3,458,268</u>	<u>3,537</u>	<u>7,862</u>	<u>3,469,667</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,654</u>	<u>23,080</u>	<u>858</u>	<u>28,592</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses		(35,800)		(35,800)
<i>Total Other Financing Receipts (Disbursements)</i>		<u>(35,800)</u>		<u>(35,800)</u>
<i>Net Change in Fund Cash Balances</i>	4,654	(12,720)	858	(7,208)
<i>Fund Cash Balances, January 1</i>	<u>2,564,662</u>	<u>81,537</u>	<u>1,588,248</u>	<u>4,234,447</u>
Fund Cash Balances, December 31				
Restricted		4,730	1,589,106	1,593,836
Committed		64,087		64,087
Assigned	66,053			66,053
Unassigned	2,503,263			2,503,263
<i>Fund Cash Balances, December 31</i>	<u>\$2,569,316</u>	<u>\$68,817</u>	<u>\$1,589,106</u>	<u>\$4,227,239</u>

See accompanying notes to the basic financial statements

ELYRIA PUBLIC LIBRARY
LORAIN COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Enterprise</u>
<i>Fund Cash Balances, January 1</i>	<u>\$1,000</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,000</u></u>

See accompanying notes to the basic financial statements

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

Note 1 - Reporting Entity

The Elyria Public Library (the Library), Lorain County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is an association library with an eight member Board of Trustees appointed by members of the association (self-appointing) to govern the library. The Library provides the community with various educational and literary resources.

The Elyria Public Library Foundation is also associated with the Library. The Foundation's tax exemption is based on the Foundation's intent to support the Library. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Foundation meets the criteria of GASB 39 and therefore must be disclosed as a component unit of the Library. The Foundation exists solely to support the Library. At December 31, 2015 and December 31, 2014, they have unaudited net assets of \$2,276,824 and \$2,291,765, respectively. The Library makes periodic requests to the Foundation. Funds spent are solely to support the Library.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Smith Bookmobile Trust Fund – Used to account for the interest earnings and distributions on the corpus of the trust. Use of the earnings is at the discretion of the Board of Trustees.

ELYRIA PUBLIC LIBRARY
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Capital Project Fund

This fund accounts 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 funds:

Building Repair and Branch Operations Fund – Used for the purpose of building, expanding, renovating, improving, furnishing and equipping the existing Library and branches and its site(s).

Enterprise Fund

This fund accounts for the operations that are similar to private business enterprises, where management intends to recover the significant cost of providing certain goods or services through user charges. The Library had the following significant Enterprise Fund:

Enterprise Fund – Used to account for the lease revenues and expenditures which relate to the upkeep and maintenance of the building and parking areas.

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.

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 of control.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

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 value. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

ELYRIA PUBLIC LIBRARY
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

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:

Nonspendable

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

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.

Committed

The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends 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.

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 the Library Board or a Library official delegated that authority by resolution, or by State Statute.

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.

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

Note 3 - Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,105,087	\$4,063,690	(\$41,397)
Special Revenue	645,600	63,885	(581,715)
Capital Projects	8,500	58,575	50,075
Enterprise	-	-	-
Total	\$4,759,187	\$4,186,150	(\$573,037)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,890,770	\$3,689,324	\$201,446
Special Revenue	527,500	60,000	467,500
Capital Projects	325,000	49,261	275,739
Enterprise	1,000	-	1,000
Total	\$4,744,270	\$3,798,585	\$945,685

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,550,356	\$3,462,922	(\$87,434)
Special Revenue	240,600	26,617	(213,983)
Capital Projects	22,000	8,720	(13,280)
Enterprise	-	-	-
Total	\$3,812,956	\$3,498,259	(\$314,697)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,904,898	\$3,524,321	\$380,577
Special Revenue	267,500	39,337	228,163
Capital Projects	325,000	18,499	306,501
Enterprise	1,000	-	1,000
Total	\$4,498,398	\$3,582,157	\$916,241

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

Note 4 – 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
Demand deposits	\$1,346,085	\$897,855
Certificates of deposit	2,830,186	2,828,186
Total deposits	4,176,271	3,726,041
U.S. Treasury Notes		
STAR Ohio	1	1
STAR Ohio PLUS	503,210	502,197
Total investments	503,211	502,198
Total deposits and investments	\$4,679,482	\$4,228,239

Deposits

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

Investments

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

Note 5 – Grants in Aid and Taxes

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.

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.

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

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

**ELYRIA PUBLIC LIBRARY
LORAIN COUNTY**

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

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. 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 (if material).

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees 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. During 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.

Note 8 - Postemployment 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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Subsequent Events

On February 22, 2017, the Elyria Public Library Foundation repaid the Library \$2,169,761 for amounts disbursed to the Foundation plus investment earnings for the period January 1, 2010 through January 31, 2017.



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

Elyria Public Library
Lorain County
320 Washington Avenue
Elyria, Ohio 44035

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 Elyria 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 28, 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.

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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 2015-001 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 2015-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Library'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

February 28, 2017

**ELYRIA 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
--

FINDING NUMBER 2015-001

Noncompliance Finding / Material Weakness – Annual Filing of Financial Statements

Ohio Rev. Code § 117.38 indicates each public office, other than a state agency, shall file a financial report for each fiscal year with the Auditor of State. For entities filing on the cash-basis of accounting, the report is required to be filed sixty days after fiscal year end. Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the Auditor of State twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The Auditor of State may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report. **Auditor of State Bulletin 2015-007** indicates beginning with the 2015 financial reports, all entities required to file with the Auditor of State's Office must file electronically via the Hinkle Annual Financial Data Reporting System unless a waiver is granted for the applicable filing year.

The Library reports on the cash-basis of accounting, and as such, is required to file its financial statements within sixty days after fiscal year-end. The Library did not file any financial statements with the Auditor of State for fiscal year 2014 or 2015. The financial statements were only completed during the Library's audit.

Failure to report annually can result in penalties and the possibility of statements being declared "unauditable."

The Library should ensure its annual financial statements are filed with the Auditor of State's Hinkle Financial Reporting System by the due date.

Officials' Response: During this time period the fiscal officer had a family member in hospice/with death. The fiscal officer was also hospitalized for three weeks in February 2016.

FINDING NUMBER 2015-002

Noncompliance Finding

Finding for Recovery – Repaid Under Audit – Elyria Public Library Foundation

Government entities may not make expenditures of public monies unless they are for a valid public purpose. **1982 Op. Att'y Gen. No. 82-006**, addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

FINDING NUMBER 2015-002 (Continued)

The Elyria Public Library (the Library) has received various donations and contributions over the years as the beneficiary of certain estates. During the period of January 1, 2010 through January 31, 2017, the Library disbursed monies to the Elyria Public Library Foundation (the Foundation) for the purpose of attaining a higher rate of return on investments. The Foundation was established as a legally separate non-profit organization for the purpose of supporting the Library. However, the Library loses legal control over the monies when disbursed to the Foundation. Net disbursements from the Library to the Foundation for the period totaled \$1,799,798. Additionally, investment income totaling \$369,963 was earned on these monies.

In accordance with the above facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against the Elyria Public Library Foundation in the amounts of \$174,713, \$479,571, \$223,581 and \$1,291,896 in favor of the Elyria Public Library's General Fund, Endowment Fund, Smith-Bookmobile Fund, and Smith Trust (Nancy Symon) Fund, respectively. The Elyria Public Library Foundation is responsible for the amount received.

On February 22, 2017, the Library was fully reimbursed by the Elyria Public Library Foundation.

The Library should retain custody of all donations and contributions received to ensure proper public purpose.

Officials' Response: Funds have been recovered from Elyria Public Library Foundation and were deposited into the library's bank accounts on February 22, 2017. Funds were receipted into the library's accounting system February 24, 2017.

FINDING NUMBER 2015-003

Significant Deficiency - Bank Reconciliation

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

The December 31, 2015 general bank reconciliation shows a bank over book variance \$1,185. Management indicated the variance is a reconciling item and may relate to prior activities.

In addition, the Library's general bank reconciliations for October and November were combined as one month in both 2015 and 2014.

Without complete and accurate monthly bank reconciliations, the Library's internal controls are 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 complete monthly bank reconciliations in a timely manner. 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: The fiscal officer was hospitalized for three weeks in February 2016.



Dave Yost • Auditor of State

ELYRIA 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 14, 2017