



Dave Yost • Auditor of State

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Board of Trustees and the management of Grafton-Midview Public Library (the Library) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2011 and 2010, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to provide attest services to the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash and Investments

1. We tested the mathematical accuracy of the December 31, 2011 and December 31, 2010 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2010 beginning fund balances recorded in the Fund Ledger Report to the December 31, 2009 balances in the prior year audited statements. The beginning fund balances recorded did not agree to the prior audited amounts; however, we noted the Fiscal Officer posted a prior correction of \$3,845 that related to the 2009 financial statements from the Hendrix Investment Trust Permanent Fund into the Hendrix Special Revenue Fund in their financial reports on December 31, 2010, which corrected the difference.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2011 and 2010 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2011 bank account balances with the Library's financial institutions. We found no exceptions, except for the Hendrix investment account. We observed the year-end bank balances on the financial institution's website. The balances agreed. We also agreed the confirmed balances to the amounts appearing in the December 31, 2011 bank reconciliation with the exception of the Hendrix investment account. The Hendrix investment

account balance confirmed with Terry Financial Services at December 31, 2011 did not agree to the system balance appearing on the December 31, 2011 bank reconciliation. The Library's recorded cost basis for the Hendrix investment account at December 31, 2011 was \$ 171,737; however, \$171,338 was confirmed as the Hendrix investment cost basis, which resulted in a book over bank difference of \$399.

5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2011 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. We noted no exceptions.
6. We tested interbank account transfers occurring in December of 2011 and 2010 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
7. We tested investments held at December 31, 2011 and December 31, 2010 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions.
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Public Library Fund Receipts

We selected two Public Library Fund (PLF) receipts from the *Public Library Fund Report* from 2011 and two from 2010.

- a. We compared the amount from the *Public Library Fund Report* to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. We determined whether these receipts were posted to the General Fund. We found no exceptions.
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
- d. We scanned the Receipt Register Report to determine whether it included one PLF receipt per month for 2011 and 2010. We found no exceptions.

Property Taxes and Intergovernmental Receipts

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011.
 - a. We traced the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included two real estate tax receipts for 2011. We noted the Receipts Register Report included the proper number of tax receipts for the year.
3. AOS selected five intergovernmental receipts from the *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2011.

- a. We compared the amount from the above report to the amount recorded in the Receipt Register Report. The amounts agreed.
- b. We determined whether these receipts were allocated to the proper fund(s). Our comparison of the amounts from the Statements did not agree to the 2011 Receipt Register Report. We found a total of \$77,238.24 in exceptions in the five receipts we tested in 2011. The exceptions were caused by the Library mis-posting the Homestead/Rollback Reimbursements and the 2.5% Reductions to Other-Local Taxes, which is a property and other local taxes revenue account (100's), rather than an intergovernmental revenue account (200's).
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Debt

1. The prior audit documentation disclosed no debt outstanding as of December 31, 2009.
2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of debt issued during 2011 or 2010 or debt payment activity during 2011 or 2010. We noted no new debt issuances, nor any debt payment activity during 2011 or 2010.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2011 and one payroll check for five employees from 2010 from the Accurate Data Payroll Report (Payroll Register Report) and:
 - a. We compared the hours and pay rate, or salary recorded in the Accurate Data Payroll Report (Payroll Register Report) to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). In 2010, we found two instances where an employee's pay rate was not supported by approval from the Director and legislative approval (i.e., Board Resolution) from the Board of Trustees. In 2011, the Hiring Authorization Form maintained in three employees personnel files were properly signed by the Director and Board President of the Library; however, we were unable to determine if the pay rates for these new employees were legislatively approved by the Board (i.e., by Board Resolution).
 - b. We determined whether the fund and account codes to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For any new employees selected in step 1 we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to this check:
 - a. Name.
 - b. Authorized salary or pay rate.
 - c. Departments and funds to which the check should be charged.
 - d. Retirement system participation and payroll withholding.
 - e. Federal, State & Local income tax withholding authorization and withholding.
 - f. Any other deduction authorizations (deferred compensation, etc.).

We found no exceptions related to steps a. and c.-f. above. In relation to step b above, in 2011, the Hiring Authorization Form maintained in three employees personnel files were properly signed by the Director and Board President of the Library; however, we were unable to determine if the

pay rates for these new employees were legislatively approved by the Board (i.e., by Board Resolution).

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2011 to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2011. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes	January 31, 2012	December 29, 2011	\$1,304.89	\$1,304.89
Medicare	January 31, 2012	December 29, 2011	\$238.58	\$238.58
State income taxes	January 15, 2012	December 29, 2011	\$383.33	\$383.33
Local income tax	January 15, 2012	December 29, 2011	\$246.81	\$246.81
OPERS retirement	January 30, 2012	December 30, 2011	\$3,564.03	\$3,564.03

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Accurate Data Payroll Report (Payroll Register Report):
 - a. Accumulated leave records
 - b. The employee's pay rate in effect as of the termination date
 - c. The Library's payout policy.

The amount paid was consistent with the information recorded in a. through c. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2011 and ten from the year ended 2010 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
2. We scanned the Payment Register Detail Report for the year ended December 31, 2011 and determined that the proceeds from the levy passed under Ohio Rev. Code Section 5705.23, were used for the purpose(s) stated in the resolution.

Compliance – Budgetary

1. We compared total appropriations required by Ohio Admin. Code Section 117-8-02, to the amounts recorded in the Appropriation Status Report for 2011 and 2010 for the following funds: General Fund and Hendrix Special Revenue Fund. The amounts on the appropriation resolutions agreed to the amounts recorded in the Appropriation Status Report.
2. Ohio Admin. Code Section 117-8-02 prohibits spending in excess of budgeted amounts. We compared total expenditures to total appropriations for the years ended December 31, 2011 and 2010 for the General and Hendrix Special Revenue Fund, as recorded in the Appropriation Status Report. We noted no funds for which expenditures exceeded appropriations.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2011 and 2010 for procurements requiring competitive bidding to construct, demolish, alter, repair, or reconstruct a library or make any improvements or repairs, the cost of which exceeded \$25,000, except in cases of urgent necessity or for the security and protection of library property (Ohio Rev. Code Section 3375.41).

We identified no purchases subject to the aforementioned bidding requirements.

Officials' Response:

Cash and Investments #2 *"This was an entry made by the previous Fiscal Officer, apparently after 12-31-09. UAN does not allow correction of prior year entries, causing the difference between the two balances."*

Cash and Investments #4 *"The Library transferred the Hendrix Fund investments from Lorain National Bank to Terry Financial as of Dec. 1, 2011. Lorain National did not provide Terry Financial with the original cost amounts of the securities. The Hendrix Fund had one transaction in 2011, but the Lorain National year-end statement was not received until mid-January 2012 after the previous Fiscal Officer left office. Again, the UAN system does not permit prior year adjustments once the books are closed. We have now verified the cost basis for the securities and Terry Financial will attempt to place these amounts on their monthly statements to avoid any confusion in the future. Also in the future, the new Fiscal Officer will update the cost basis on the books as transactions occur, rather than at year-end."*

Property Taxes and Intergovernmental Receipts #3b *"This is a simple coding error. 2011 was the first year the Library received property tax revenue. The previous Fiscal Officer may or may not have known which UAN account code to use. The Library would not have received Rollback & Homestead funds had there been no property tax levy passed, therefore an argument could be made that the Rollback & Homestead are indeed a part of the property tax revenue. The coding of the Rollback & Homestead funds was corrected in 2012."*

Payroll #1a and #2: *"The pay rate changes referred to in this issue occurred in 2008, not 2010. The Grafton-Midview Public Library has employed a new Director and a new Fiscal Officer since the pay rate changes took place. For instances in 2011, the Board of Trustees believed they had granted authority to the Director in a blanket approval of staffing and wage allowances. However, both the current Director and Fiscal Officer agree that all hiring, rate of pay changes, and other personnel matters should be separately approved by the Board of Trustees. We will present this recommendation to the Board at their October, 2012 meeting and will assure that all future personnel actions are properly authorized."*

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Library's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Library, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

October 9, 2012



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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
OCTOBER 23, 2012