

ADRIAN DISTRICT LIBRARY

Basic Financial Statements

Year Ended June 30, 2018

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Library Board
Adrian District Library
Adrian, Michigan:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Adrian District Library (the "Library"), an agency fund of the City of Adrian, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Adrian District Library as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General Fund budgetary schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
October 29, 2018

ADRIAN DISTRICT LIBRARY, MICHIGAN
Management's Discussion and Analysis (unaudited)
June 30, 2018

Using This Annual Report

This annual report consists of a series of financial statements for the Adrian District Library (the Library), located in the City of Adrian in Lenawee County, Michigan. The statement of net position and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. Fund financial statements tell how these services were financed short-term, as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements.

Financial Analysis

The statement of net position provides the perspective of the Library as a whole. The table below provides a summary of the Library's net position at June 30, 2018 compared to June 30, 2017.

Net Position

	Governmental Activities	
	2018	<i>Restated</i> 2017
Assets		
Current and other assets	\$ 560,639	\$ 477,886
Capital assets	59,177	20,497
<i>Total Assets</i>	619,816	498,383
Liabilities		
Long-term liabilities	48,913	56,460
Other liabilities	69,191	75,535
<i>Total Liabilities</i>	118,104	131,995
Net Position		
Investment in capital assets	59,177	20,497
Unrestricted	442,535	345,891
<i>Total Net Position</i>	\$ 501,712	\$ 366,388

A portion of the Library's net position (12%) reflects its investment in capital assets (i.e., equipment and furniture), less any related outstanding debt that was used to acquire those assets. The Library did not have any debt outstanding at June 30, 2018 and 2017. The Library used these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. The remaining portion of net position (\$442,535) is unrestricted and may be used to meet the Library's ongoing obligations to its citizens.

The Library's net position increased 37% from a year ago—increasing from \$366,388 to \$501,712. Total assets increased by \$121,433 due to positive operating results during the current fiscal year.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Management's Discussion and Analysis (unaudited)
June 30, 2018

The table below shows the changes in net position for the fiscal years ended June 30, 2018 and 2017:

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 68,515	\$ 80,916
Operating grants and contributions	19,299	23,250
<i>Total program revenues</i>	<u>87,814</u>	<u>104,166</u>
General revenues:		
Property and other taxes	873,749	855,603
Investment earnings	4,572	3,566
Miscellaneous	24	2,737
<i>Total general revenues</i>	<u>878,345</u>	<u>861,906</u>
<i>Total revenues</i>	<u>966,159</u>	<u>966,072</u>
Expenses		
Library operations	821,709	843,950
Depreciation	9,126	10,562
<i>Total expenses</i>	<u>830,835</u>	<u>854,512</u>
<i>Change in net position</i>	135,324	111,560
<i>Net position, beginning of year, restated</i>	<u>366,388</u>	<u>254,828</u>
<i>Net position, end of year</i>	<u>\$ 501,712</u>	<u>\$ 366,388</u>

Total revenue remained relatively flat between fiscal years. Total expenses decreased by 3%, due to decreases in information technology service costs. However, with revenues outpacing expenses, the Library was able to grow its net position by \$135,324, or 37%, during fiscal year ended June 30, 2018.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Management's Discussion and Analysis (unaudited)
June 30, 2018

General Fund Budgetary Highlights

The Library budgeted \$963,035 in revenue and expenditures for the fiscal year, a decrease of less than 1% from the original budgets. Actual amounts came in \$89,097 under budget, due to conservative budgeting practices.

Capital Assets

For the fiscal year ended June 30, 2018, the Library had \$59,177 invested equipment and furniture (net of accumulated depreciation), an increase of \$38,680 from the prior fiscal year, due to purchase of computer equipment and furniture. See Note 3 to the basic financial statements for additional detail.

Economic Factors and Next Year's Budgets and Rates

The FY2018-19 budget recommendation was submitted showing total estimated revenues of \$959,700, which was slightly less than actual revenue received in FY2017-18, due to conservative estimates for library state aid. FY2018-19 estimated total expenditures of \$959,700 showed an increase over actual expenditures in FY2017-18, due to increases in anticipated wages and benefits and capital equipment.

Contacting the Library's Financial Management

This report is designed to provide a general overview for all those with an interest in the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, contact the Adrian District Library's Director at 143 E. Maumee Street, Adrian, Michigan, 49221.

ADRIAN DISTRICT LIBRARY, MICHIGAN

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 546,161
Taxes receivable	6,786
Due from other governments	7,692
Depreciable capital assets, net	<u>59,177</u>
Total assets	<u>619,816</u>
Liabilities	
Accounts payable	11,383
Accrued payroll	1,522
Due to other governments	12,623
Unearned revenue	43,663
Long-term liabilities:	
Due within one year	35,873
Due in more than one year	<u>13,040</u>
Total liabilities	<u>118,104</u>
Net Position	
Investment in capital assets	59,177
Unrestricted	<u>442,535</u>
Total net position	<u>\$ 501,712</u>

See accompanying notes to the basic financial statements.

ADRIAN DISTRICT LIBRARY, MICHIGAN

Statement of Activities

Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Functions/Programs</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Library operations	\$ 821,709	\$ 68,515	\$ 19,299	\$ (733,895)
Depreciation	<u>9,126</u>	<u>-</u>	<u>-</u>	<u>(9,126)</u>
Total governmental activities	<u>830,835</u>	<u>68,515</u>	<u>19,299</u>	<u>(743,021)</u>
General revenues:				
Property taxes levied for general purposes				873,749
Investment earnings				4,572
Miscellaneous				<u>24</u>
Total general revenues				<u>878,345</u>
Change in net position				135,324
Net position beginning of year, <i>restated</i>				<u>366,388</u>
Net position end of year				<u>\$ 501,712</u>

See accompanying notes to the basic financial statements.

ADRIAN DISTRICT LIBRARY, MICHIGAN

Balance Sheet

Governmental Fund - General Fund

June 30, 2018

Assets

Cash and cash equivalents	\$ 546,161
Taxes receivable	6,786
Due from other governments	<u>7,692</u>
Total assets	<u>\$ 560,639</u>

Liabilities

Accounts payable	\$ 11,383
Accrued payroll	1,522
Due to other governments	12,623
Unearned revenue	<u>43,663</u>
Total liabilities	<u>69,191</u>

Fund balance

Unassigned	<u>491,448</u>
Total liabilities and fund balance	<u>\$ 560,639</u>

Amounts reported for governmental activities in the statement of net position are different because:

<i>Governmental fund balance</i>	\$ 491,448
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	59,177
Long-term liabilities for accrued sick and vacation payables are not due and payable in the current period and therefore are not reported in the funds.	<u>(48,913)</u>
<i>Net position of governmental activities</i>	<u>\$ 501,712</u>

See accompanying notes to the basic financial statements.

ADRIAN DISTRICT LIBRARY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund - General Fund
Year Ended June 30, 2018

Revenues

Local sources:	
Property taxes	\$ 873,749
Fines and fees	67,465
Investment earnings	4,572
Donations	4,623
Other	<u>1,074</u>
Total local sources	<u>951,483</u>
State sources:	
State aid-indirect	<u>14,676</u>
Total revenue	<u>966,159</u>

Expenditures

Current:	
Personnel services	469,837
Materials and supplies	141,484
Contractual services	211,129
Capital outlay	<u>54,612</u>
Total expenditures	<u>877,062</u>
Net change in fund balances	89,097
Fund balance, beginning of year	<u>402,351</u>
Fund balance, end of year	<u>\$ 491,448</u>

Amounts reported for governmental activities in the statement of activities are different because:

<i>Net change in fund balance - governmental fund</i>	\$ 89,097
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:	
Capital outlay	47,806
Depreciation expense	(9,126)
Some expenses reported in the statement of activities, such as accrued sick and vacation leave, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>7,547</u>
<i>Change in Net Position of governmental activities</i>	<u>\$ 135,324</u>

See accompanying notes to the basic financial statements.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Adrian District Library (the Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

The Library is located in the City of Adrian, Michigan, County of Lenawee and governed by an appointed five-member Board. The City of Adrian (the City) appoints the Library Board. However, the Library Board has authority over all other functions of the Library including levying property taxes and developing and approving the Library budget. As required by accounting principles generally accepted in the United States of America, these financial statements present the Library as the primary government. There are no component units as of June 30, 2018. The City acts as fiscal agent and leases employees to the Library.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Library. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, direct and indirect State sources, penalty fines, and other unrestricted items are not included as program revenues but instead as general revenues.

Separate financial statements are provided for the Library's only governmental fund, the General Fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The Library has only one governmental fund, the General Fund. The General Fund is the operating fund that accounts for all financial resources of the Library.

D. Assets, Liabilities and Net Position/Fund Balance

1. Fiscal Agent

The Library has designated the City of Adrian (the City) as their fiscal agent for all funds received in the name of the Library. The City maintains Library funds in the City's cash pool as an agency fund.

2. Cash and Investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

State statutes authorize the government to invest in Money Market Accounts and Certificates of Deposit, Obligations of the U.S. Treasury, Federal Agencies, Commercial Paper, Corporate Bonds, Repurchase Agreements, and State-approved Investment Pools.

Cash consists of depositories, savings and money market accounts valued at cost.

3. Property Taxes

The Library levies property taxes to support its operations. The taxes are collected by the City, as the fiscal agent of the Library. The taxes are levied and become a lien as of July 1 and are due upon receipt by the taxpayer. The due date is August 31st, after which time the bill is considered delinquent and penalties and interest may be assessed.

For the fiscal year ended June 30, 2018, the Library levied 2.5 mills per \$1,000 of assessed valuation of \$388,578,182.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position/Fund Balance (continued)

4. Capital Assets

The Library has a capitalization policy of \$2,000. Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at acquisition value on the date received. The Library estimates the useful life of equipment and furniture, using the straight-line depreciation, of 5 to 10 years.

5. Budgetary Process

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated.

The Library's actual and budgeted expenditures for the General Fund have been shown by line-item. The approved budget of the Library for the General Fund was adopted by line-item basis consistent with accounting principles generally accepted in the United States of America (GAAP). All encumbrances and unexpended budget categories lapse at the end of the fiscal year.

6. 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 imposed by law through constitutional provisions.

Committed. The Library can commit amounts via formal action (resolution) of the Library Board. 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. In the general fund, assigned amounts represent intended uses established by the Library Board or Library official delegated that authority by resolution or State statute.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position/Fund Balance (continued)

6. Fund Balance (continued)

Unassigned. Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications.

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.

7. Compensated Absences

Leased employees of the Library follow the City of Adrian's compensated absences policies. Vacation leave benefits are based on past services rendered and are accrued as a liability based on the expected use of the benefits through paid time off and cash payments at termination or retirement. The accrued liability for vacation time is determined under the vesting method acceptable under GAAP.

Sick leave is vested to the extent that cash payments are made (up to allowable limits) to employees upon retirement. The accrued liability for sick leave is determined under the termination method acceptable under GAAP.

The current portion (the amount normally expected to be liquidated with expendable available resources) of accrued sick and vacation pay are shown as a liability and expenditure in the applicable governmental fund financial statements. The portion recognized in the governmental fund financial statements is on the compensated absences that have matured at fiscal year-end, for example, as a result of employee resignations or retirements. The entire accrued sick and vacation leave is reported in the government-wide statement of net position.

8. Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenue and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. EQUITY IN POOLED CASH

The Library's cash pool is maintained by the City. Michigan Compiled Laws prescribe allowable deposits and investments, and the City is responsible for meeting compliance. The Library's carrying amount of cash on deposit with the City at June 30, 2018 was \$546,161.

ADRIAN DISTRICT LIBRARY, MICHIGAN
Notes to the Financial Statements
June 30, 2018

3. CAPITAL ASSETS

Capital asset activity of the Library for the current fiscal year was as follows:

	<i>Restated</i> Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital asset being depreciated:</i>				
Equipment and furniture	\$ 5,854,427	\$ 47,806	\$ -	\$ 5,902,233
<i>Less accumulated depreciation:</i>				
Equipment and furniture	(5,833,930)	(9,126)	-	(5,843,056)
Total capital assets, net	<u>\$ 20,497</u>	<u>\$ 38,680</u>	<u>\$ -</u>	<u>\$ 59,177</u>

4. RISK MANAGEMENT

The Library is covered under the City's insurance policies for its exposure to various risks of loss.

5. LONG-TERM OBLIGATIONS

Long-term activity of the Library for the current fiscal year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 56,460	\$ 10,451	\$ (17,998)	\$ 48,913	\$ 35,873

6. RESTATEMENT

Certain capital assets were incorrectly included in the Library's financial statements in fiscal year ended June 30, 2017. The result of removing these capital assets had the following impact on beginning net position:

Net Position at June 30, 2017	\$ 545,526
Removal of capital assets	<u>(179,138)</u>
Restated Net Position at June 30, 2017	<u>\$ 366,388</u>

7. SUBSEQUENT EVENT

Effective July 1, 2018, the fiscal agent arrangement between the City and Adrian District Library ended.

ADRIAN DISTRICT LIBRARY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual - General Fund
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	\$ 948,170	\$ 956,170	\$ 951,483	\$ (4,687)
State sources	6,865	6,865	14,676	7,811
Total revenue	<u>955,035</u>	<u>963,035</u>	<u>966,159</u>	<u>3,124</u>
Expenditures				
Current:				
Personnel services	471,440	472,660	469,837	2,823
Materials and supplies	140,800	143,600	141,484	2,116
Contractual services	202,122	216,362	211,129	5,233
Capital outlay	95,500	54,999	54,612	387
Miscellaneous	45,173	75,414	-	75,414
Total expenditures	<u>955,035</u>	<u>963,035</u>	<u>877,062</u>	<u>85,973</u>
Net change in fund balances	-	-	89,097	89,097
Fund balance, beginning of year	<u>402,351</u>	<u>402,351</u>	<u>402,351</u>	
Fund balance, end of year	<u>\$ 402,351</u>	<u>\$ 402,351</u>	<u>\$ 491,448</u>	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*****INDEPENDENT AUDITORS' REPORT**

To the Library Board
Adrian District Library
Adrian, Michigan:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Adrian District Library, an agency fund of the City of Adrian, Michigan, (the "Library") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Toledo, Ohio
October 29, 2018