



**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GRAFTON-MIDVIEW PUBLIC LIBRARY
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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Grafton-Midview Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Grafton-Midview Public Library, Lorain County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2000 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 grants.

This report is intended solely for the information and use of management and the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 2, 2000

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**GRAFTON-MIDVIEW PUBLIC LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Other Government Grants-In-Aid	\$534,841				\$534,841
Patron Fines and Fees	14,539				14,539
Earnings on Investments	4,577	\$8,873	\$1,251		14,701
Contributions, Gifts and Donations	2,647				2,647
Miscellaneous Receipts	187				187
Total Cash Receipts	<u>556,791</u>	<u>8,873</u>	<u>1,251</u>	<u>0</u>	<u>566,915</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	318,062				318,062
Purchased and Contracted Services	72,072				72,072
Other Objects	2,383				2,383
Supplies	11,903				11,903
Library Materials & Information	92,183	15,053			107,236
Capital Outlay	19,849				19,849
Total Cash Disbursements	<u>516,452</u>	<u>15,053</u>	<u>0</u>	<u>0</u>	<u>531,505</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>40,339</u>	<u>(6,180)</u>	<u>1,251</u>	<u>0</u>	<u>35,410</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			75,000		75,000
Transfers-Out	(75,000)				(75,000)
Total Other Financing Receipts/(Disbursements)	<u>(75,000)</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(34,661)</u>	<u>(6,180)</u>	<u>76,251</u>	<u>0</u>	<u>35,410</u>
Fund Cash Balances, January 1	<u>152,969</u>	<u>14,543</u>	<u>12,638</u>	<u>\$200,000</u>	<u>380,150</u>
Fund Cash Balances, December 31	<u>\$118,308</u>	<u>\$8,363</u>	<u>\$88,889</u>	<u>\$200,000</u>	<u>\$415,560</u>
Reserves for Encumbrances, December 31	<u>\$14,899</u>	<u>\$643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,542</u>

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Other Government Grants-In-Aid	\$471,923				\$471,923
Other Governmental Revenue				\$7,000	7,000
Patron Fines and Fees	15,882				15,882
Earnings on Investments	14,333				14,333
Contributions, Gifts and Donations	829				829
Miscellaneous Receipts	2,287				2,287
Total Cash Receipts	<u>505,254</u>	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>512,254</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	279,726				279,726
Purchased and Contracted Services	67,440				67,440
Other Objects	2,306			7,000	9,306
Supplies	12,578				12,578
Library Materials & Information	81,316	\$19,314			100,630
Capital Outlay	23,259				23,259
Total Cash Disbursements	<u>466,625</u>	<u>19,314</u>	<u>0</u>	<u>7,000</u>	<u>492,939</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>38,629</u>	<u>(19,314)</u>	<u>0</u>	<u>0</u>	<u>19,315</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		10,006			10,006
Transfers-Out	(10,006)				(10,006)
Total Other Financing Receipts/(Disbursements)	<u>(10,006)</u>	<u>10,006</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>28,623</u>	<u>(9,308)</u>	<u>0</u>	<u>0</u>	<u>19,315</u>
Fund Cash Balances, January 1	<u>124,346</u>	<u>23,851</u>	<u>\$12,638</u>	<u>200,000</u>	<u>360,835</u>
Fund Cash Balances, December 31	<u>\$152,969</u>	<u>\$14,543</u>	<u>\$12,638</u>	<u>\$200,000</u>	<u>\$380,150</u>
Reserves for Encumbrances, December 31	<u>\$17,469</u>	<u>\$3,736</u>	<u>\$0</u>	<u>\$0</u>	<u>\$21,205</u>

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Grafton-Midview Public Library, Lorain County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library operates under the direction of a seven-member Board of Trustees appointed by the Midview Local School District. The Library provides the community with various educational and literary resources.

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

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of their debt or the levying of their taxes. The Library has no component units.

The following entity which performs activities within the Library's boundaries for the benefit of its residents is excluded from the accompanying financial statements because the Library is not financially accountable for this entity nor is it fiscally dependent on the Library.

Friends of Grafton-Midview Public Library

The Friends of Grafton-Midview Public Library organization was developed through community members who support the Library through fund-raising activities. The Library exercised no financial control over this organization. The Library received \$3,776 in financial contributions from the Friends organization during the fiscal period January 1, 1998 through December 31, 1999. Total cash assets (unaudited) of the Friends of Grafton-Midview Public Library at December 31, 1999 amounted to \$1,827.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Mutual funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**GRAFTON-MIDVIEW PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Hendrix Special Revenue Fund - used to account for interest income earned by the Hendrix Agency Fund, which restricts the expenditure of interest to the purchase of books, movies and collectable art.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant Capital Projects Fund:

Building and Repair Fund - used for the purpose of repairing, improving, furnishing and equipping the existing Grafton-Midview Public Library.

Fiduciary Fund (Agency Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable Trust Funds. Funds for which the Library is acting in an agency capacity are classified as Agency Funds. The Library had the following significant Fiduciary Fund:

Hendrix Agency Fund - used to account for an endowment received from the estate of the donor. The donor specified that the principal could not be spent, but the proceeds (interest) could be spent for the purchase of books, movies and collectable art.

E. Budgetary Process

The Ohio Administrative Code requires that each fund (except certain Agency Funds) be budgeted annually.

Appropriations

The Board of Trustees must annually approve appropriation measures and subsequent amendments for each fund. The Library sends a copy of the appropriation measure and subsequent amendments to the County Budget Commission. Unencumbered appropriations lapse at year end.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$19,937	\$85,691
Certificates of deposit	170,000	82,366
Petty cash and change cash	100	100
Total deposits	190,037	168,157
Money Market Mutual Funds	220,866	211,993
STAR Ohio	4,657	0
Total investments	225,523	211,993
Total deposits and investments	\$415,560	\$380,150

Deposits: Deposits are either 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.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$578,760	\$556,791	(\$21,969)
Special Revenue	10,000	8,873	(1,127)
Capital Projects	51,000	76,251	25,251
Total	\$639,760	\$641,915	\$2,155

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$667,470	\$606,351	\$61,119
Special Revenue	23,736	15,696	8,040
Capital Projects	50,000	0	50,000
Total	\$741,206	\$622,047	\$119,159

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$456,220	\$505,254	\$49,034
Special Revenue	10,000	10,006	6
Capital Projects	1,000	0	(1,000)
Total	\$467,220	\$515,260	\$48,040

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$577,675	\$494,100	\$83,575
Special Revenue	33,851	23,050	10,801
Capital Projects	13,920	0	13,920
Total	\$625,446	\$517,150	\$108,296

**GRAFTON-MIDVIEW PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. GRANTS-IN-AID AND TAX REVENUE

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library. These revenues are reflected in the financial statements as Other Government Grants-In-Aid.

5. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance to full-time employees through a private carrier. The Library's liability for health care is limited to the premiums paid.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the Grafton-Midview Public Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 2, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated June 2, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Finding as item 1999-00847-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do believe the reportable condition described above is a material weakness. We also noted another matter involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 2, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 2, 2000

**GRAFTON-MIDVIEW PUBLIC LIBRARY
SCHEDULE OF FINDING
DECEMBER 31, 1999 and DECEMBER 31, 1998**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 1999-00847-001

Reportable Condition

Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance appearing on the bank statement(s) and the balance of cash according to the entity's records. This process involves adjusting book balances to the adjusted cash balance. During the fiscal year, the Library did not reconcile the bank statements with the accounting records.

Without accurate bank reconciliations, the Library's internal control structure is weakened, which could hinder the detection of errors or irregularities, by the Library's employees, in a timely manner. In addition, Library management is not provided with timely fiscal information that is vital to the continued operations of the Library, which could also have a negative material effect or impact on the Library's financial statements.

We recommend the Library perform accurate monthly bank reconciliations after the end of the month, as well as the close of the year. Also, each monthly bank reconciliation and a listing of outstanding checks should be filed in the bank activity folder along with other supporting documents for the applicable month.



STATE OF OHIO
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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
JUNE 27, 2000**