



**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 28, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Grafton-Midview Public Library, Lorain County, (the Library) as of and for the years ended December 31, 2007 and 2006. 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. 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 audit 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 audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, 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 Grafton-Midview Public Library, Lorain County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 28, 2008

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Library and Local Government Support	585,476				585,476
Patron Fines and Fees	22,033				22,033
Contributions, Gifts and Donations	3,021	4,235			7,256
Earnings on Investments	7,733	3,141	15,790	5,464	32,128
Miscellaneous	1,511				1,511
Total Cash Receipts	619,774	7,376	15,790	5,464	648,404
Cash Disbursements:					
Current:					
Salaries	320,118				320,118
Employee Fringe Benefits	98,262				98,262
Purchased and Contractual Services	112,224				112,224
Library Materials and Information	108,805	11,988			120,793
Supplies	10,292				10,292
Other	4,654			5,335	9,989
Capital Outlay	14,947		9,776		24,723
Total Cash Disbursements	669,302	11,988	9,776	5,335	696,401
Total Receipts Over/(Under) Disbursements	(49,528)	(4,612)	6,014	129	(47,997)
Other Financing Receipts / (Disbursements):					
Transfers-In			40,000		40,000
Transfers-Out	(40,000)				(40,000)
Total Other Financing Receipts / (Disbursements)	(40,000)	0	40,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(89,528)	(4,612)	46,014	129	(47,997)
Fund Cash Balances, January 1	175,538	9,493	310,503	172,253	667,787
Fund Cash Balances, December 31	\$86,010	\$4,881	\$356,517	\$172,382	\$619,790
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Library and Local Government Support	571,267				571,267
Patron Fines and Fees	21,797				21,797
Contributions, Gifts and Donations	8,188				8,188
Earnings on Investments	8,176		15,527	5,403	29,106
Miscellaneous	1,503				1,503
Total Cash Receipts	610,931	0	15,527	5,403	631,861
Cash Disbursements:					
Current:					
Salaries	281,565				281,565
Employee Fringe Benefits	80,321				80,321
Purchased and Contractual Services	88,796				88,796
Library Materials and Information	100,638				100,638
Supplies	10,876				10,876
Other	1,780			2,059	3,839
Capital Outlay	26,118		15,255		41,373
Total Cash Disbursements	590,094	0	15,255	2,059	607,408
Total Receipts Over/(Under) Disbursements	20,837	0	272	3,344	24,453
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	20,837	0	272	3,344	24,453
Fund Cash Balances, January 1 - restated	154,701	9,493	310,231	168,909	643,334
Fund Cash Balances, December 31	\$175,538	\$9,493	\$310,503	\$172,253	\$667,787
Reserve for Encumbrances, December 31	<u>\$50,962</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$50,962</u>

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Grafton-Midview Public Library, Lorain County, (the Library) as a body corporate and politic. The Midview Board of Education appoints a seven-member Board of Trustees to govern the Library. 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, the Library does not record investment purchases as disbursements or investments sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values US Treasury Notes and Equitable Securities at original value when donated. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Stocker Foundation Special Revenue Fund – used to account for the grant received from the Stocker Foundation to be used for the summer reading program.

3. Capital Project Fund

This fund accounts for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project fund:

Building and Repair Fund – used for the purpose of expanding, renovating, improving, furnishing and equipping the existing Library and improving its site.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant permanent fund:

Hendrix Trust 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 (net Earnings) could be spent for the purchase of books, movies, and collectable art.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund level of control.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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.

H. Total Columns

Total columns on the financial statements are captioned "(Memorandum Only)" to indicate that they are presented to facilitate financial analysis. Such data is not comparable to a consolidation.

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$22,035	\$23,408
Petty cash and change fund	100	100
Total deposits	22,135	23,508
 STAR Ohio	 425,273	 472,026
Total investments	425,273	472,026
Total deposits and investments	\$447,408	\$495,534

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book entry form. U.S. Treasury Notes are held in book-entry form by the Federal Reserve Bank, in the name of the Library's financial institution, Lorain National Bank (the Bank). The equity securities are also held in book-entry form by the Bank. The Bank maintains records identifying the library as owner of these securities.

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

Roland H. and Veta Genevieve Hendrix Memorial Book Fund

Upon the death of Veta Genevieve Hendrix, on September 7, 1995, Premier Bank and Trust, (Trustee), distributed the trust corpus of \$200,000 as directed in the April 6, 1994 trust agreement of Veta Genevieve Hendrix, to the Board of Trustees of the Grafton-Midview Public Library. The gift was to be retained and only the income was to be used, to purchase books, movies, art objects and other items to be added to the collection of the Library. A judgment was issued by the Lorain County Court of Common Pleas, Probate Division, declaring that the Hendrix Fund was not subject to the Uniform Depository Act, Ohio Revised Code Chapter 135. The Uniform Management of Institutional Funds Act, Ohio Revised Code Chapter 1715, allows the Fund to be invested in private, corporate and public securities. The Board of Trustees authorized the Lorain National Bank to establish a custodial account and direct the investment of the Hendrix Fund. The following schedules account for the value of the Fund at December 31, 2007 and December 31, 2006:

Initial Deposit On 10/31/2000	Cost Basis Unit Price at 12/31/2007	Market Value Unit Price at 12/31/2007
\$200,000	\$172,382	\$192,431

Initial Deposit On 10/31/2000	Cost Basis Unit Price at 12/31/2006	Market Value Unit Price at 12/31/2006
\$200,000	\$172,253	\$187,845

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$620,476	\$619,774	(\$702)
Special Revenue	9,500	7,376	(2,124)
Capital Projects	2,400	55,790	53,390
Permanent	5,464	5,464	0
Total	\$637,840	\$688,404	\$50,564

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$795,220	\$709,302	\$85,918
Special Revenue	12,634	11,988	646
Capital Projects	312,503	9,776	302,727
Permanent	5,335	5,335	0
Total	\$1,125,692	\$736,401	\$389,291

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$605,767	\$610,931	\$5,164
Special Revenue	0	0	0
Capital Projects	2,000	15,527	13,527
Permanent	5,403	5,403	0
Total	\$613,170	\$631,861	\$18,691

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$745,807	\$641,056	\$104,751
Special Revenue	9,493	0	9,493
Capital Projects	312,534	15,255	297,279
Permanent	2,059	2,059	0
Total	\$1,069,893	\$658,370	\$411,523

4. Grants-In-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The Lorain County Budget Commission allocates these funds to the Library based on an agreement made between the Boards of Trustees of all Lorain County Libraries with population within Lorain County. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. These revenues are reflected in the financial statements as Library and Local Government Support.

5. Retirement Systems

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. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85% and 13.70%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Health Insurance

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

7. Restatement of Prior Year Balance

At January 1, 2006 the Library restated its Permanent Fund balance as follows:

Fund Balance, December 31, 2005	\$200,000
Fund Balance, January 1, 2006	\$168,909

The purpose of the restatement, to correct for a prior period error, is due to the Library previously reporting its Hendrix investment at historical value.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Library Board of Trustees:

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, 2007 and December 31, 2006, and have issued our report thereon dated July 28, 2008, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We also noted certain internal control matters that we reported to the Library's management in a separate letter dated July 28, 2008.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Library's management in a separate letter dated July 28, 2008.

We intend this report solely for the information and use of the audit committee, management and Library Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 28, 2008

**GRAFTON-MIDVIEW PUBLIC LIBRARY
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	The Board of Trustees should attempt to meet the intensions of the Hendrix Trust, which are to invest and retain the principal as a source of future income.	Yes	



Mary Taylor, CPA
Auditor of State

GRAFTON-MIDVIEW PUBLIC LIBRARY

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2008**