



Mary Taylor, CPA
Auditor of State

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – December 31, 2005.....	9
Statement of Activities – December 31, 2005.....	10
Statement of Cash Basis Assets and Fund Balances – Governmental Fund - December 31, 2005.....	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Fund - For the Year Ended December 31, 2005.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005.....	13
Notes to the Financial Statements	15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Grand Valley Public Library Association
Ashtabula County
1 North School St.
P.O. Box 188
Orwell, Ohio 44076

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, and the General Fund, the Library's only fund, of Grand Valley Public Library Association, Ashtabula County, Ohio (the Library), as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. 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 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, and the General Fund, the Library's only fund, of Grand Valley Public Library Association, Ashtabula County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

July 17, 2008

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The discussion and analysis of Grand Valley Public Library Association (the Library) financial performance provides an overall review of the Library's financial activities for the fiscal year ended December 31, 2005, within the limitation of cash basis accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

Overall:

- The Library & Local Government Support (LLGS) revenues accounted for \$186,524 in revenue, or 91% percent of all governmental revenues. General revenues, beside the LLGS monies, in the form of interest, E-grant and contributions accounted for \$9,303 or 4% of general revenues. Patron fines and fees, are program revenues, and accounted for \$10,092 or 4% percent of total governmental revenues of \$205,919.
- The Library had \$183,634 in expenses related to governmental activities.
- Net assets of the Library increased by \$22,285 from the prior year. Cash and cash equivalents increased in that the Library reduced their spending amount on books and supplies and received more from LLGS.

Using these Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The Statement of Net Assets and Statement of Activities provide information about the cash activities of the whole Library.

Fund Financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements look at the Library's General Fund, which is the only fund the Library maintains.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion with this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, with the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Library's general receipts.

These two statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's health is improving or deteriorating. When evaluating the Library's financial condition, you will also need to consider other non-financial factors as well, such as the Library's Library & Local Government Support Fund tax base, the condition of the Library's capital assets, and the reliance on local financial resources for operations.

In the Statement of Net Assets and the Statement of Activities, the Library has only one kind of activity:

- Governmental Activities – All of the Library's programs and services are reported here including salaries, fringe benefits, supplies, capital outlay, and purchased/contracted services.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major fund, the General fund, which is also the only fund of the Library.

Governmental Fund – All of the Library's activities are reported in a governmental fund, which focuses on how money flows into and out of this fund and balances left at year-end available for spending in future periods. This fund (the General fund) is reported using the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the Library's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

Governmental Activities

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and Cash Equivalents	\$340,316	\$318,031
Net Assets:		
Unrestricted	\$340,316	\$318,031

Total net assets increased \$22,285 during 2005. The primary reason contributing to the increase in cash balance was as follows:

- As previously stated, the Library purchased less books and library material in 2005, and received more in LLGS Funds. The LLGS funds increased to a new County Wide Equity of Funding Distribution of the LLGS funds. Interest Rates increased in the year of 2005.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Table 2 reflects the changes in net assets in 2005.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Revenues:		
Charges for Services	\$10,092	\$8,498
General Receipts:		
Grants Not Restricted to Specific Programs	187,135	169,135
Interest	8,297	5,522
Contributions, Gifts and Donations	395	1,258
Total General Receipts	195,827	175,915
Total Receipts	\$205,919	\$184,413
Disbursements:	2005	2004
Salaries	\$89,744	\$85,591
Employee Fringe Benefits	13,044	12,872
Purchased and Contracted Services	31,709	31,445
Library Materials and Supplies	32,014	32,866
Supplies	4,837	4,918
Other	5,018	5,899
Capital Outlay	7,268	200
Total Disbursements	183,634	173,791
Increase/Decrease in Net Assets	22,285	10,622
Net Assets, January 1	318,031*	307,319
Net Assets, December 31	\$340,316	\$317,941*

*Note: \$317,941 + \$90 = \$318,031 (\$90 check voided in prior year)

Program receipts represent only 4% of total receipts and consist mainly of patron fines and fees.

General Receipts represent 96% of the Library's total receipts, and of this amount, approximately 90% are Library and Local Government Support monies.

Disbursements for the Library consist mostly of salaries, contractual services and the purchasing of periodicals and materials for the Library.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column represents the services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for the Library are for salaries and fringe benefits, as well as contractual services and library materials, which account for 55% and 34% of all governmental disbursements, respectively. The next column on the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for services by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. The "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Salaries	\$89,744	(\$79,652)
Fringe Benefits	13,044	(13,044)
Purchased and Contracted Services	31,709	(\$31,709)
Library Materials and Supplies	32,014	(\$32,014)
Supplies	4,837	(\$4,837)
Other	5,018	(\$5,018)
Capital Outlay	7,268	(\$7,268)
<i>Total Expenses</i>	<u>\$183,634</u>	<u>(\$173,542)</u>

The dependence on the Library Local Government Support monies is apparent as over 90% percent of the Library Operations are supported through these receipts.

The Library's Funds

Information about the Library's General Fund: This fund is accounted for using the cash basis of accounting. The General fund had total revenues of \$205,919 and expenditures of \$183,634. The net change in fund balance for the year was increased by \$22,285 for fiscal year 2005. Revenues increased slightly in 2005 from the prior year, by \$21,506 and expenditures increased by \$9,843 from the previous year.

General Fund Budgeting Highlights

The Library's budget is prepared according to the by-laws established by the Association Library and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The only budgeted fund is the General Fund.

Final disbursements were budgeted at \$524,586 while actual disbursements were \$183,634. The Library appropriated \$305,553 for Future Development under Capital Outlay. Actual General Fund receipts were more than disbursements by \$22,285.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Capital Assets

The Library owns a house and property next door to the Library and leases it out annually.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of 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 financial information contact Carol Williams-Vernon, Clerk at the Grand Valley Public Library Association, 41 N. School St, Orwell, OH 44076.

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY
Statement of Net Assets -
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$340,316</u>
<i>Total Assets</i>	<u><u>\$340,316</u></u>
Net Assets	
Unrestricted	<u>340,316</u>
<i>Total Net Assets</i>	<u><u>\$340,316</u></u>

See accompanying notes to the basic financial statements

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION

ASHTABULA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Salaries	\$89,744	\$10,092	(\$79,652)
Fringe Benefits	13,044		(13,044)
Purchased and Contracted Services	31,709		(\$31,709)
Library Materials and Supplies	32,014		(\$32,014)
Supplies	4,837		(\$4,837)
Other	5,018		(\$5,018)
Capital Outlay	7,268		(\$7,268)
	<hr/>	<hr/>	
<i>Total Governmental Activities</i>	<u>\$183,634</u>	<u>\$10,092</u>	(\$173,542)
		General Receipts	
		Gifts and Contributions	\$395
		Grants and Entitlements not Restricted to Specific Programs	187,135
		Interest	8,297
			<hr/>
		<i>Total General Receipts</i>	<u>195,827</u>
		Change in Net Assets	22,285
		<i>Net Assets Beginning of Year</i>	<u>318,031</u>
		<i>Net Assets End of Year</i>	<u><u>\$340,316</u></u>

See accompanying notes to the basic financial statements

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION

ASHTABULA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Fund

December 31, 2005

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$340,316</u>
<i>Total Assets</i>	<u><u>\$340,316</u></u>
Fund Balances	
Undesignated (Deficit), Reported in:	
General Fund	<u>340,316</u>
<i>Total Fund Balances</i>	<u><u>\$340,316</u></u>

See accompanying notes to the basic financial statements

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION

ASHTABULA COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Fund

For the Year Ended December 31, 2005

	<u>General</u>
Receipts	
Library and Local Government Support	\$186,524
Intergovernmental	611
Patron Fines and Fees	2,892
Contributions, Gifts and Donations	395
Earnings on Investments	8,297
Miscellaneous	7,200
	<hr/>
<i>Total Receipts</i>	205,919
	<hr/>
Disbursements	
Current:	
Library Services:	
Salaries	89,744
Employee Fringe Benefits	13,044
Purchased and Contracted Services	31,709
Library Materials and Supplies	32,014
Supplies	4,837
Other	5,018
Capital Outlay	7,268
	<hr/>
<i>Total Disbursements</i>	183,634
	<hr/>
<i>Net Change in Fund Balances</i>	22,285
	<hr/>
<i>Fund Balances Beginning of Year</i>	318,031
	<hr/>
<i>Fund Balances End of Year</i>	<u><u>\$340,316</u></u>

See accompanying notes to the basic financial statements

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		Actual
Receipts				
Library and Local Government Support	\$193,445	\$193,445	\$186,524	(\$6,921)
Intergovernmental	-	-	611	611
Patron, Fines and Fees	2,220	2,220	2,892	672
Contributions, Gifts and Donations	200	200	395	195
Earnings on Investments	4,690	4,690	8,297	3,607
Miscellaneous	6,000	6,000	7,200	1,200
<i>Total receipts</i>	206,555	206,555	205,919	(\$636)
Disbursements				
Current:				
Salaries	90,000	90,000	89,744	256
Employee Fringe Benefits	14,000	14,000	13,044	956
Purchased and Contracted Services	45,000	45,000	31,709	13,291
Library Materials and Supplies	45,000	45,000	32,014	12,986
Supplies	7,000	7,000	4,837	2,163
Other	18,033	18,033	5,018	13,015
Capital Outlay	335,553	305,553	7,268	298,285
<i>Total Disbursements</i>	554,586	524,586	183,634	340,952
<i>Net Change in Fund Balance</i>	(348,031)	(318,031)	22,285	340,316
<i>Fund Balance Beginning of Year</i>	318,031	318,031	318,031	-
Fund Balance End of Year	\$0	\$0	\$340,316	\$340,316

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Library

The Library is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is an Association Library (not for profit organization) and was incorporated by the State of Ohio in 1949.

The Library is directed by a seven-member Board of Trustees appointed by each other to serve a seven-year term; one Trustee's term expires each year.

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. Basis of Presentation

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the cash balance of the government activities of the Library at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contribution restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

Fund financial statements report detailed information about the Library. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. The Library's only major fund is the General Fund and there were no other funds maintained by the Library.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts of disbursements, respectively.

Certificates of deposits are valued at cost. Investments in Star Ohio (The State Treasurer's investment pool) are recorded at amounts reports by the State Treasurer.

D. Fund Accounting

The Library used the General Fund to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The fund of the Library is reflected as a governmental type.

Governmental Fund

The Library classifies receipts financed from the Library Local Government Support Fund, grants, and other non exchange transactions as a governmental fund. The Library's only major fund is the General Fund.

E. Budgetary Process

The Board, although not required by law, annually approves appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The Library, although not required by law, does file their estimated resources with the County Budget Commission.

Encumbrances

The Ohio Revised Code does not require Library Associations to reserve (encumber) appropriations when commitments are made. However, the UAN software system requires an encumbrance prior to payment. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

F. Restricted Assets

Assets are reported as restricted when limitation on their use change the nature of normal understanding of the availability of the Asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. There were no restricted assets in 2005.

G. Capital Assets

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

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's basis of accounting.

I. Net Assets

Net Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. Fund Balance Reserves

The Library has no fund balance reserves. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

2. EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement
4. by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At 2005 year end, \$10,141 of the Library's bank balance of \$165,369 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Park's name

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Star Ohio	\$175,951	Average (Less than 1 year)

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

3. 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 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 based on any additional revenues the Library receives.

4. DEFINED PENSION PLAN

A. Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent respectively of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The employer contribution rates for pension benefits for 2005 were 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$12,855 \$11,598, and \$11,405 respectively. The full amount has been contributed for 2005, 2004 and 2003. The Library did not have any participants in the member directed plan.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rates was 13.55 percent, of covered payroll; 4 percent in 2005 of covered payroll were the portions that were used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2005 which were used to fund post-employment benefits were \$13,833. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

6. DEBT

The Grand Valley Local School Library serves as the taxing authority as a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 1988, the Library Board approved for the School Library to place on the ballot, Library Construction Bonds in the amount of \$225,000 for the new construction of the current Library. As of December 1, 2005, this has been completely paid off.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RISK MANAGEMENT

A. General Risk

The Library is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Library has addressed these various types of risk by purchasing a comprehensive insurance policy through a commercial carrier.

The Library has obtained insurance for the following risks:

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

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

B. Health Insurance

The Library does not provide any health care insurance to its employees. The Library does provide Cancer Insurance through a private carrier for the Director of the Library "The Director has the charge for this insurance deducted from her Salary for the month". This is paid for by the Director.

C. Workers' Compensation

The Library participates in the Frank Gates Ohio Library Council's (OLC) Workers' Compensation Group Rating Program (GRP). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the immediate Past President of the Ohio School Board Association (OSBSA). The Executive Director of OSBA, or his designee, serves as coordinator of the program.

Each year, the participating Ohio Libraries pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Library by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating libraries is calculated as one experience and a common premium rate is applied to all libraries in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Ohio Libraries that can meet the GRP's selection criteria. The firm of Frank Gates Service Company provides administrative, cost control and actuarial services to the GRP.

THIS PAGE INTENTIONALLY LEFT BLANK.



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*

Grand Valley Public Library Association
Ashtabula County
1 North School St.
P.O. Box 188
Orwell, Ohio 44076

To the Board of Trustees:

We have audited the financial statements of the governmental activities of Grand Valley Public Library Association, Ashtabula County, (the Library) as of and for the year ended December 31, 2005 which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 17, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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*. 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.

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.

Our consideration of 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 noted certain matters that we reported to the Library's management in a separate letter dated July 17, 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 one noncompliance or other matters that we reported to the Library's management in a separate letter dated July 17, 2008.

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



Mary Taylor, CPA
Auditor of State

July 17, 2008



Mary Taylor, CPA
Auditor of State

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA 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
AUGUST 12, 2008**