



**Auditor of State
Betty Montgomery**

Grand Valley Public Library Association
Ashtabula County
For the Year Ended December 31, 2004

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S 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 major fund of the Grand Valley Public Library Association, Ashtabula County, (the Library), as of and for the year ended December 31, 2004, 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 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's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and major fund of Grand Valley Public Library Association, Ashtabula County, as of December 31, 2004, and the respective changes in modified 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 27, 2005

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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 30, 2004, 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 2004 are as follows:

Overall:

- The Library & Local Government Support (LLGS) revenues accounted for \$169,135 in revenue or 92 percent of all governmental revenues. Program specific revenues, besides the LLGS monies, in the form of patron fines and fees, grants and contributions accounted for \$9,754 or 5 percent of total governmental revenues of \$184,413.
- The Library had \$173,792 in expenses related to governmental activities.
- Net assets of the Library increased by \$10,622 from the prior year. Cash and cash equivalents increased in that the Library reduced their spending amounts on books and supplies.

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* provides 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.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

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.

Basis of Accounting

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 modified cash basis of accounting, receipts and disbursements are recorded when they result in cash transactions.

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 modified cash basis of accounting.

Reporting the Library as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Library did financially during 2004, within 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 financial 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.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

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

The Library maintains only the General Fund.

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 is reported using the modified 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.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

Governmental Activities

	<u>2004</u>	<u>2003</u>
Assets:		
Cash and Cash Equivalents	\$317,941	\$307,319
Net Assets:		
Unrestricted	\$317,941	\$307,319

Total net assets increased \$10,622 during 2004. The primary reason contributing to the increase in cash balance was as follows:

- As previously stated, the Library purchased less books and library materials in 2004 which accounts for the increase in net assets.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Table 2 reflects the changes in net assets 2004. Since the Library did not prepare financial statements according to this basis of accounting in the prior year, a comparative analysis of government-wide data was not presented. In future years, when prior year information is available, a comparative analysis will be presented.

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

	Governmental Activities 2004	Total 2003
Receipts:		
Program Revenues:		
Library and Local Gov't Support	\$169,135	\$168,084
Patrons Fines and fees	2,490	2,522
Total Program Revenues	171,625	170,606
General Receipts:		
Interest	5,522	4,732
Contributions, Gifts and Donations	1,258	510
Miscellaneous	6,008	6,770
Total General Receipts	12,788	12,012
Total Receipts	184,413	182,618
Disbursements:		
Salaries	85,591	84,173
Employee Fringe Benefits	12,872	14,373
Purchased and Contracted Services	31,445	42,098
Library Materials & Supplies	32,866	29,363
Supplies	4,918	5,139
Other	5,899	3,506
Capital Outlay	200	100
Total Disbursements	173,791	178,752
Increase/Decrease in Net Assets	10,622	3,866
Net Assets, January 1,	307,319	303,453
Net Assets, December 31	317,941	\$307,319

Governmental Activities

Program receipts represent 93 percent of total receipts and are represented by patron's fines and fees and the Library and Local Government Support monies.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

General receipts represent 7 percent of the Libraries total receipts, and of this amount, over 44% is from interest earned and 47% is from miscellaneous revenues collected. The balance is made up of contributions, gifts, and donations.

The major program disbursements for governmental activities are for salaries and fringe benefits which account for \$98,463 and 57% of all governmental disbursements, respectively. Purchased and Contracted Services, as well as Library Materials and Information also represent a significant cost, about 37 percent.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the patrons fines and fees and the Library and Local Government Support monies offsetting those services. The net cost of services identifies the cost of those services supported by Library Local Government Support receipts and the patron fines and fees.

(Table 3)
Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Library Operations	\$173,791	\$2,166

The dependence on the Library Local Government Support monies is apparent as over 98 percent of the Library Operations are supported through these receipts.

The Library's Funds

Information about the Library's General Fund starts on page 9. This fund is accounted for using the cash basis of accounting. The governmental fund had total revenues of \$184,413 and expenditures of \$173,791. The net change in fund balance for the year was increased by \$10,622 for fiscal year 2004. Revenues increased slightly in 2004 from the prior year, by \$1,795 and expenditures decreased by \$4,961 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.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

General Fund Budgeting Highlights (Continued)

Final disbursements were budgeted at \$488,825 while actual disbursements were \$173,791. The Library appropriated \$293,348 for Future Development under Capital Outlay, although only \$200 was expended in 2004. The amount is set up as a reserve for future capital purchases or improvements. Actual General Fund receipts were more than disbursements by \$10,622.

Capital Assets

The Library purchased 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 Marjorie Sharp, Clerk at Grand Valley Public Library Association, 41 N. School St., Ashtabula, Ohio 44076.

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
MODIFIED CASH BASIS
DECEMBER 31, 2004

	<u>General Fund</u>	<u>Statement of Net Assets</u>
Assets		
Cash and Cash Equivalents	\$317,941	\$317,941
Total Assets	317,941	317,941
Fund Balance/Net Assets		
Fund Balance:		
Unreserved	\$317,941	
Net Assets:		
Unrestricted		\$317,941

See accompanying notes to the basic financial statements

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**Statement of Activities and Governmental Funds, Revenues, Expenditure
and Changes in Fund Balances
Modified Cash Basis
For the Year Ended December 31, 2004**

	General Fund	Statement of Activities
Expenditures/expenses:		
Library operations		
Salaries	\$85,591	\$85,591
Employee Fringe Benefits	12,872	12,872
Purchased and Contracted Services	31,445	31,445
Library Materials and Informatior	32,866	32,866
Supplies	4,918	4,918
Other	5,899	5,899
Capital Outlay	200	200
Total expenditures/expense:	173,791	173,791
Program Revenues:		
Patrons Fines and Fees	2,490	2,490
Library and Local Government Support	169,135	169,135
Total Program Revenues	171,625	
Net Program Expenses		2,166
General Revenues:		
Contributions, Gifts and Donation:	1,258	1,258
Earnings on Investment:	5,522	5,522
Miscellaneous:	6,008	6,008
Total General Revenues	12,788	12,788
Excess (deficiency) of revenue: over expenditures:	10,622	
Change in net assets:		10,622
Fund balances/net assets		
Beginning of the year	307,319	307,319
End of the year	\$317,941	\$317,941

See accompanying notes to the basic financial statements.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended December 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Library and Local Government Support	\$168,920	\$168,920	\$169,135	\$215
Interest	4,446	4,446	5,522	1,076
Patron Fines and Fees	2,240	2,240	2,490	250
Rentals	5,800	5,800	6,000	200
Contributions and Donations	50	50	1,258	1,208
Refunds and Reimbursements	50	50	8	(42)
<i>Total Revenues</i>	<u>181,506</u>	<u>181,506</u>	<u>184,413</u>	<u>2,907</u>
Expenditures				
Current:				
Salaries	90,000	90,000	85,591	4,409
Employee Frings Benefits	13,542	13,542	12,872	670
Purchased and Contracted Services	40,279	40,279	31,445	8,834
Library Materials and Information	33,366	35,366	32,866	2,500
Supplies	7,800	7,800	4,918	2,882
Other	8,490	8,490	5,899	2,591
Capital Outlay	295,348	293,348	200	293,148
<i>Total Expenditures</i>	<u>488,825</u>	<u>488,825</u>	<u>173,791</u>	<u>17,477</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(307,319)</u>	<u>(307,319)</u>	<u>10,622</u>	<u>(14,570)</u>
<i>Net Change in Fund Balance</i>	(307,319)	(307,319)	10,622	(14,570)
<i>Fund Balance Beginning of Year</i>	<u>307,319</u>	<u>307,319</u>	<u>307,319</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$317,941</u>	<u>(\$14,570)</u>

See accompanying notes to the basic financial statements

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**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

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 governmental 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 government is responsible. 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, 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, 2004
(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 or disbursements, respectively.

Certificates of deposit are valued at cost. Investments in STAR Ohio (the State Treasurer's investment pool) are recorded at amounts reported by the State Treasurer.

D. Fund Accounting

The Library uses 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 nonexchange transactions as a governmental fund. The Library's only major fund is the General Fund.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control. The Board of Trustees annually approves appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 required 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 reappropriated in the subsequent year.

A summary of the 2004 budgetary activity is reflected on the *Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual* – page 11 of this report.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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 2004.

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.

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 had 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

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 was as follows:

	2004
Demand deposits	<u>\$40,095</u>
Certificates of deposit	<u>107,206</u>
Total deposits	<u>147,301</u>
STAR Ohio (Investments)	<u>170,640</u>
Total deposits and investments	<u><u>\$317,941</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Library, as an Association Library, was in violation of state statutory requirements in investing with Star Ohio.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(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. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

5. DEBT

The Grand Valley Local School District 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 District to place on the ballot, Library Construction Bonds in the amount of \$225,000 for the new construction of the current Library. As of June 30, 2004 (the latest information available) there remained \$56,260 in principal outstanding

6. 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

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
(Continued)**

6. RISK MANAGEMENT - (Continued)

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.

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 Boards Association (OSBA). 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."

This "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.

9. CONTINGENCIES

A. Litigation

The Library is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at December 31, 2004.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S 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 and the major fund of the Grand Valley Public Library Association, Ashtabula County, (the Library) as of and for the year ended December 31, 2004 which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 27, 2005 wherein we noted that the Library's financial transactions were processed using 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 conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated June 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Library's management dated June 27, 2005, we reported one matter related to noncompliance we deemed immaterial.

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Grand Valley Public Library Association
Ashtabula County
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On compliance and Other Matters Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 27, 2005



**Auditor of State
Betty Montgomery**

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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 4, 2005**