



Mary Taylor, CPA
Auditor of State

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Grand Valley Public Library Association, Ashtabula County, Ohio (the Library), as of and for the year ended December 31, 2008, 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 opinion.

As discussed in Note 2, 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, its major fund, and the aggregate remaining fund information of Grand Valley Public Library Association, Ashtabula County, as of December 31, 2008, and the changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2010 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 7, 2010

Grand Valley Public Library Association
Ashtabula County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of the Grand Valley Public Library Association's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$15,652 or 4%, a significant change from the prior year. This increased cash and cash equivalents in the General Fund, due to decreased costs in 2008 because of control spending mainly in the area of purchasing less books and library material in 2008.

The Library's general receipts are primarily library and local government support (LLGS). These receipts represent \$181,659 and 82% of the total cash received for governmental activities during the year. Library and local government support receipts for 2008 changed very little compared to 2007 as development within the Library has slowed. Program specified revenues in form of patron fines and fees, accounted for \$13,757 or 6% of total governmental revenues of \$222,223.

The Library has \$206,571 in expense related to governmental activities, of which a small portion is covered by program revenues. The majority of the cost of operations of the Library is covered by general receipts, which make up 94% of the revenue received.

Using the 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 the statement of activities provide information about the cash activities of the Library as a whole.

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.

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.

Grand Valley Public Library Association
Ashtabula County
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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 within 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

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 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and 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 statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the 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 should also consider other nonfinancial factors as well such as the Library's reliance on the Library & Local Government Support Fund and possible State reductions to it because of budget shortfalls, 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 Fund

Fund financial statements provide detailed information about the Library's only fund – not the Library as a whole. Library are permitted to establish separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Grand Valley Public Library Association though only maintains a General Fund.

Governmental Funds - All of the Library's activities are reported in a governmental fund. The governmental fund financial statement provides a detailed view of the Library's governmental operations and the basic services it provides. This fund, the General 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, 2008
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2008	2007
Assets		
Cash and Cash Equivalents	\$384,363	\$368,711
Net Assets		
Unrestricted	384,363	368,711

As mentioned previously, net assets of governmental activities increased \$15,653 during 2008. The primary reasons contributing to the increases in cash balances are as follows:

- The Library purchased less books and related library material in 2008 to control spending.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

(Table 2)

Changes in Net Assets

	Governmenta Activities	
	2008	2007
Receipts:		
Program Receipts:		
Patron Fines and Fees	\$13,757	\$5,057
Total Program Receipts	13,757	5,057
General Receipts:		
Library & Local Gov't Support	\$181,659	\$185,497
Contributions, Gifts and Donations	2,249	222
Interest	13,218	17,331
Miscellaneous	11,340	5,015
Total General Receipts	208,466	208,066
Total Receipts	222,223	213,123

Grand Valley Public Library Association
Ashtabula County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 2)		
Changes in Net Assets		
(Continued)		
Disbursements:	2008	2007
Salaries	103,109	92,567
Employee Fringe Benefits	16,167	13,893
Purchased and Contracted Services	37,662	24,976
Library Materials & Supplies	28,170	35,593
Supplies	8,971	11,686
Other	9,336	17,086
Capital Outlay	3,156	14,453
Total Disbursements	206,571	210,254
Increase (Decrease) in Net Assets	15,652	2,869
Net Assets, January 1,	368,711	365,842
Net Assets, December 31,	<u>\$384,363</u>	<u>\$368,711</u>

Program receipts represent only 6% of total receipts and are represented by patrons' fines and fees.

General receipts represent \$208,466 or 94% of the Library's total receipts, and of the general receipts, the Library and Local Government Support represents 87% this total. The balance of general receipts is from interest earned and from miscellaneous revenues collected.

Included in the miscellaneous receipts is the settlement for dissolving CACL, which amounted to \$7,131. 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 \$119,276 and 57% of all governmental disbursements. Purchased and Contracted services, as well as Library Materials and Information also represent a significant cost, about 29%.

Grand Valley Public Library Association
Ashtabula County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 3 indicates the total costs of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the patron fines and fees monies off setting those services.

**Table 3
Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008
Library Services:		
Salaries	\$103,109	(\$103,109)
Employee Fringe Benefits	16,167	(16,167)
Purchased and Contractual Services	37,662	(37,662)
Library Materials and Information	28,170	(14,413)
Supplies	8,971	(8,971)
Other	9,336	(9,336)
Capital Outlay	3,156	(3,156)
Total Expenses	\$206,571	(\$192,814)

The dependence on the Library Local Government Support monies is apparent as the majority of funding is from this source, which shows that the Library Operations are supported through mostly the general receipts it receives.

The Library's Fund

The Library's only fund, the General fund is accounted for using the cash basis of accounting. The General fund had receipts of \$222,223 and disbursements of \$206,571. The net change in fund balance of the General Fund for the year was increased by \$15,652 for fiscal year 2008. Revenue increased slightly in 2008 from the prior year, by \$9,100 and expenditures decreased by \$3,683 from the previous year.

General Fund Budgeting Highlights

The Library's budget is prepared according to by-laws established by the Association Library and is based upon 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 \$561,216 while actual disbursements were \$206,571. The Library appropriated \$324,001 for Future Development under Capital Outlay. The amount is set up as a reserve for future capital purchase or improvements. Actual General Fund receipts were more than disbursements by \$15,652.

Capital Assets

Capital Assets

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

Grand Valley Public Library Association
Ashtabula County
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jeanette Gage, Fiscal Officer at Grand Valley Public Library Association, P.O. Box 188, 1 North School Street, Orwell, Ohio 44076. .

GRAND VALLEY PUBLIC LIBRARY ASSOCIATION

ASHTABULA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$384,363</u>
<i>Total Assets</i>	<u><u>\$384,363</u></u>
Net Assets	
Unrestricted	<u>384,363</u>
<i>Total Net Assets</i>	<u><u>\$384,363</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, 2008*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Library Services:			
Salaries	\$103,109		(\$103,109)
Employee Fringe Benefits	16,167		(16,167)
Purchased and Contractual Services	37,662		(\$37,662)
Library Materials and Information	28,170	\$13,757	(14,413)
Supplies	8,971		(8,971)
Other	9,336		(9,336)
Capital Outlay	3,156		(3,156)
<i>Total Governmental Activities</i>	<u>\$206,571</u>	<u>\$13,757</u>	(192,814)
General Receipts			
Unrestricted Gifts and Doantions			\$2,249
Grants and Entitlements not Restricted			181,659
Interest			13,218
Miscellaneous			11,340
<i>Total General Receipts</i>			<u>208,466</u>
Change in Net Assets			15,652
<i>Net Assets Beginning of Year</i>			<u>368,711</u>
<i>Net Assets End of Year</i>			<u>\$384,363</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, 2008*

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$384,363</u>
<i>Total Assets</i>	<u><u>\$384,363</u></u>
Fund Balances	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	<u>384,363</u>
<i>Total Fund Balances</i>	<u><u>\$384,363</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, 2008*

	General
Receipts	
Library and Local Government Support	\$181,659
Patron Fines and Fees	13,757
Contributions, Gifts and Donations	2,249
Earnings on Investments	13,218
Miscellaneous	11,340
<i>Total Receipts</i>	222,223
Disbursements	
Current:	
Library Services:	
Salaries	103,109
Employee Fringe Benefits	16,167
Purchased and Contractula Services	37,662
Library Materials and Information	28,170
Supplies	8,971
Other	6,857
Capital Outlay	3,156
<i>Total Disbursements</i>	204,092
<i>Excess of Receipts Over (Under) Disbursements</i>	18,131
Other Financing Sources (Uses)	
Other Financing Uses	(2,479)
<i>Total Other Financing Sources (Uses)</i>	(2,479)
<i>Net Change in Fund Balances</i>	15,652
<i>Fund Balances Beginning of Year</i>	368,711
<i>Fund Balances End of Year</i>	\$384,363

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, 2008

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$182,271	\$182,271	\$181,659	(\$612)
Patron Fines and Fees	4730	4730	13757	9,027
Contributions, Gifts and Donations	200	200	2249	2,049
Earnings on Investments	21609	21609	13218	(8,391)
Miscellaneous	4700	4700	11340	6,640
<i>Total receipts</i>	<u>213,510</u>	<u>213,510</u>	<u>222,223</u>	<u>8,713</u>
Disbursements				
Current:				
Library Services:				
Salaries	105,100	110,100	103,109	6,991
Employee Fringe Benefits	17,000	17,000	16,167	833
Purchased and Contractual Services	38,500	38,605	37,662	943
Library Materials and Information	28,500	33,500	28,170	5,330
Supplies	8,500	9,000	8,971	29
Other	5,900	7,000	6,857	143
Capital Outlay	324,301	324,001	3,156	320,845
<i>Total Disbursements</i>	<u>527,801</u>	<u>539,206</u>	<u>204,092</u>	<u>335,114</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(314,291)</u>	<u>(325,696)</u>	<u>18,131</u>	<u>343,827</u>
Other Financing Sources (Uses)				
Other Financing Uses	(33,415)	(22,010)	(2,479)	19,531
<i>Total Other Financing Sources (Uses)</i>	<u>(33,415)</u>	<u>(22,010)</u>	<u>(2,479)</u>	<u>19,531</u>
<i>Net Change in Fund Balance</i>	(347,706)	(347,706)	15,652	363,358
<i>Fund Balance Beginning of Year</i>	<u>368,711</u>	<u>368,711</u>	<u>368,711</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$21,005</u>	<u>\$21,005</u>	<u>\$384,363</u>	<u>\$363,358</u>

See accompanying notes to the basic financial statements

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**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 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 Grand Valley Public Library Association, Ashtabula County, (the Library) as a body corporate and politic. The Grand Valley Public Library Association is a not-for-profit corporation established on September 14, 1903, originally chartered by the Secretary of State as the Orwell Public Library Association, for the purpose of providing Library services to residents in and around Orwell.

The original provisions established that a seven member Board of Trustees to be appointed by the Orwell Township Board of Trustees, of which not less than 3 shall be women. The term of office shall be seven years, except that at the first election the terms shall be that one member retires each year. Amended on February 11, 1985, a requirement exists that at least four members of the Board be from either Orwell Township or the Village of Orwell, with the three remaining members coming from the surrounding areas of Colebrook, Hartsgrove, New Lyme, Rome or Windsor Townships. The Board itself now appoints the seven-member Board of Trustees to govern the Library. The Trustees operate as an independent Board subjected to certain provisions of the Ohio Revised Code, and operate mainly according to its by-laws. The Library provides the community with various educational and literary resources, holds title to and have custody and control of all Library property, real and personal, and maintains staffing levels to operate the Library.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide 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. Governmental activities generally are financed intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and cash equivalent balances of the governmental of the Library at year end. The statement of activities compares disbursements with program receipts for each 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.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. The Library has only one fund.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's one fund is classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the Library's only governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund, which for Grand Valley Public Library Association is the only fund they have. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees. As an Association

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Library, the Library also operates by the by-laws established by their creation and follows the policies that govern then their operations.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

During 2008, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008. As an Association Library, the Library is not deemed an allowable public entity as defined in the Ohio Revised Code Chapter 135, but STAR Ohio has accepted its investment. Certificate of deposits are also valued at cost as of December 31, 2008.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets presented on the financial statements.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

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

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

Last year the Library reported fund financial statements by using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in note 2.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances if any, are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no encumbrances or advances outstanding at year end (budgetary basis)

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 5 - EQUITY IN POOLED DEPOSITS 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 deposits 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 deposits 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 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;
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 values of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificate of deposit or savings or deposits accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 5 - EQUITY IN POOLED DEPOSITS AND INVESTMENTS - (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

The Library has no deposit policy for custodial risk beyond the requirements of State statute.

Investments:

As of December 31, 2008, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Star Ohio	\$356,125	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 providing by at least one nationally recognized standard rating service.

NOTE 6 - 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 of any additional revenues the Library receives.

NOTE 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.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 7 - RISK MANAGEMENT - (Continued)

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 pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, the investment of which is self-directed by the members, 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, the members in State and local classifications contributed 10 percent of covered payroll. The Library's contribution rate for 2008 was 14 percent of covered payroll. 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, 2008, 2007, and 2006 were \$24,796, \$21,130, and \$21,302, respectively; 100 percent has been contributed for 2008, 2007 and 2006. Contributions to the member-directed plan for 2008 were \$8,056 made by the Library and \$5,754 made by the plan members.

**GRAND VALLEY PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008
(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local government employers contributed at a rate of 14 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund postemployment health care was 7 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retirees or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.



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 STANDARD

Grand Valley Public Library Association
Ashtabula County
1 North School Street
Orwell, Ohio 44076

To the Library Board of Trustees:

We have audited the financial statements of the Grand Valley Public Library Association, Ashtabula County, (the Library) as of and for the year ended December 31, 2008, and have issued our report thereon dated April 7, 2010, wherein we noted the Library followed accounting practices the Auditor of State prescribes 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.

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.

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 matter that we reported to the Library's management in a separate letter dated April 7, 2010.

We intend this report solely for the information and use of the management, Library Trustee's; we intend it for no one other than these specified parties.

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

April 7, 2010



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
MAY 18, 2010**