

Granville Public Library

Licking County, Ohio

Regular Audit

For the Years Ended December 31, 2006 and 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

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Mary Taylor, CPA

Auditor of State

Board of Trustees
Granville Public Library
217 East Broadway Blvd.
Granville, Ohio 43023

We have reviewed the *Independent Auditor's Report* of the Granville Public Library, Licking County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Granville Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

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Granville Public Library
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Granville Public Library
Licking County, Ohio
217 East Broadway Blvd.
Granville, Ohio 43023

We have audited the accompanying financial statements of the Granville Public Library, Licking County, Ohio, (the Library) as of and for the years ended December 31, 2006 and 2005. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library, as of the December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
September 7, 2007

Granville Public Library
Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Other Government Grants-In-Aid	\$753,135	\$0	\$0	\$0	\$753,135
Patron Fines and Fees	35,989	0	0	0	35,989
Earnings on Investments	54,596	0	298,675	0	353,271
Contributions, Gifts and Donations	5,322	0	0	0	5,322
Total Cash Receipts	<u>849,042</u>	<u>0</u>	<u>298,675</u>	<u>0</u>	<u>1,147,717</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	541,110	0	0	0	541,110
Purchased and Contracted Services	97,829	0	0	0	97,829
Library Materials and Information	92,648	0	0	0	92,648
Other Objects	11,181	0	0	0	11,181
Capital Outlay	721	0	2,121,870	0	2,122,591
Total Cash Disbursements	<u>743,489</u>	<u>0</u>	<u>2,121,870</u>	<u>0</u>	<u>2,865,359</u>
Total Receipts Over/(Under) Disbursements	105,553	0	(1,823,195)	0	(1,717,642)
Fund Cash Balances, January 1	<u>457,521</u>	<u>115,000</u>	<u>5,714,346</u>	<u>180,000</u>	<u>6,466,867</u>
Fund Cash Balances, December 31	<u><u>\$563,074</u></u>	<u><u>\$115,000</u></u>	<u><u>\$3,891,151</u></u>	<u><u>\$180,000</u></u>	<u><u>\$4,749,225</u></u>

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

Granville Public Library
Combined Statement of Cash Receipts, Cash Disbursements, And Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2005

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Other Government Grants-In-Aid	\$753,135	\$0	\$0	\$0	\$753,135
Patron Fines and Fees	30,628	0	0	0	30,628
Earnings on Investments	35,597	0	38,320	0	73,917
Contributions, Gifts and Donations	6,576	0	0	0	6,576
Total Cash Receipts	825,936	0	38,320	0	864,256
Cash Disbursements:					
Current:					
Salaries and Benefits	528,348	0	0	0	528,348
Purchased and Contracted Services	116,049	2,966	0	0	119,015
Library Materials and Information	105,019	0	0	0	105,019
Other Objects	12,634	0	0	0	12,634
Capital Outlay	2,774	0	312,419	0	315,193
Total Cash Disbursements	764,824	2,966	312,419	0	1,080,209
Total Receipts Over/(Under) Disbursements	61,112	(2,966)	(274,099)	0	(215,953)
Other Financing Receipts:					
Proceeds from Bonds	0	0	225,000	0	225,000
Gain on Sale of Stock	0	0	0	120,638	120,638
Transfers In	0	0	58,454	0	58,454
Transfers Out	0	(4,661)	(7,155)	(46,638)	(58,454)
Total Other Financing Receipts	0	(4,661)	276,299	74,000	345,638
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	61,112	(7,627)	2,200	74,000	129,685
Fund Cash Balances, January 1 (As Restated - See Note 8)	396,409	122,627	5,712,146	106,000	6,337,182
Fund Cash Balances, December 31	\$457,521	\$115,000	\$5,714,346	\$180,000	\$6,466,867

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

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 Granville Public Library, Licking County, Ohio, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as other financing receipts or disbursements, respectively. During 2005, the Library sold common stock at a substantial gain. The gain from the sale of stock is recorded as an other financing receipt.

The Library values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

This fund accounts for proceeds from specific sources (other than from permanent funds or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Sinnett House – This fund received rental fees from the Granville Senior Citizens Association for use of the Sinnett House.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Mary Pabst Wilkin Expendable Trust Fund – This fund received a bequest for \$15,000 in 1997 for the purchase of books.

Elizabeth Jenkins Expendable Trust Fund – This fund received a bequest of \$100,000 in 2000 for procuring audio and musical cassettes useful to homebound persons and large print books for the visually impaired.

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Projects Funds:

Building and Repair Fund – This fund is used for capital outlay expenditures related to facilities and repairs to facilities.

Capital Projects Fund – This fund received proceeds from a bond issuance to fund a renovation project and is used to account for capital outlay related to this project.

4. Permanent Fund

Permanent funds should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Library's programs. The Library had the following Permanent Fund:

The Charles G. and Kathryn Marie Sellers Endowment Fund – This fund received a bequest of \$100,000. The income is used as directed by the Board.

E. Budgetary Process

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Library records disbursements for acquisitions of property, plant and equipment when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Granville Public Library
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

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 amounts of cash and cash equivalents at December 31 were as follows:

	2006	2005
Demand deposits	\$909,225	\$451,867
Certificates of deposit	3,840,000	6,015,000
Total deposits	\$4,749,225	\$6,466,867

Deposits: Demand deposits and certificates of deposit are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution’s public entity deposit pool.

3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$807,976	\$743,489	\$64,487
Capital Projects	3,254,290	2,121,870	1,132,420
Total	\$4,062,266	\$2,865,359	\$1,196,907

2005 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$837,890	\$764,824	\$73,066
Special Revenue	7,627	7,627	0
Capital Projects	309,991	319,574	(9,583)
Permanent	0	46,638	(46,638)
Total	\$1,155,508	\$1,138,663	\$16,845

4 – GRANTS-IN-AID

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, operations, 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.

5 – BOND LEVY AND LIBRARY EXPANSION

In November 2004, the electorate of Granville Exempted Village School District approved a bond issue for Library Expansion.

On December 21, 2004 the Granville School District issued \$4,950,000 Notes in anticipation of \$5,157,000 in General Obligation Library Improvement Bonds to be issued in 2005. The Library received an additional \$225,000 in 2005 after the issuance of these bonds by the School District. The School District is fully responsible for making principal and interest payments on the bonded debt.

Granville Public Library
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

5 – BOND LEVY AND LIBRARY EXPANSION (CONTINUED)

Proceeds from the sale of the Notes and Bonds are contributed to the Library’s Capital Projects Fund, which operates as the Project Fund from which the moneys for project expenses are withdrawn. The proceeds, including interest earnings, can only be expended for the purposes expressed by the purpose clause of the Bond Resolution. The Library Expansion project started in 2005 and is scheduled to conclude in 2007.

6 – 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 9.0 percent and 8.5 percent of their gross salaries for the years ended December 31, 2006 and 2005, respectively. The Library contributed amounts equal to 13.70 percent and 13.55 percent of participants’ gross salaries for the years ended December 31, 2006 and 2005, respectively. The Library has paid all contributions required through December 31, 2006.

7 – RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The Library has not incurred significant reductions in insurance coverage from the prior year by category or risk.

The Library also provides health and life insurance coverage to full-time employees through a private carrier.

8 – RESTATEMENT OF BEGINNING FUND CASH BALANCES

For the years ended December 31, 2006 and 2005, the Library implemented Auditor of State Technical Bulletin 2005-005. Implementation of this technical bulletin required restatement of the Library’s beginning fund cash balances. This restatement had the following effect:

	Expendable Trust	Non-Expendable Trust	Special Revenue	Permanent
As Reported, December 31, 2004	\$115,000	\$106,000	\$7,627	\$0
Fund Reclassifications	(115,000)	(106,000)	115,000	106,000
As Restated, December 31, 2004	\$0	\$0	\$122,627	\$106,000

9 – INTERFUND ACTIVITY

For the year ended December 31, 2005, the Library made transfers out of the Sinnet House Special Revenue Fund, the Building and Repair Capital Projects Fund, and the Charles G. and Kathryn Marie Sellers Endowment Permanent Fund into the Capital Projects Fund to provide additional funding for the Library’s expansion project. The transfer from the Special Revenue Fund was to close out the Fund. The transfer from the Permanent Fund was funded from the proceeds on the sale of stock. In accordance with the endowment, the Library disbursed income earned on the original bequest as directed by the Board.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Granville Public Library
Licking County, Ohio
217 East Broadway Blvd.
Granville, Ohio 43023

We have audited the accompanying financial statements of the Granville Public Library, Licking County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 7, 2007, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financing reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 the accounting basis described in Note 1 such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. This item is identified in the schedule of findings and responses as item 2006-1.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Library in a separate letter dated September 7, 2007.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Library's response and, accordingly, we express no opinion on it.

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



Balestra, Harr & Scherer, CPAs, Inc.
September 7, 2007

Granville Public Library
Schedule of Findings and Responses
For the Years Ended December 31, 2006 and 2005

Finding No 2006-1

Material Weakness - Monitoring of Financial Activity

We noted several instances in which transactions were not posted to correct line items in the Library's financial records. The accompanying financial statements have been adjusted to properly reflect the following:

- The purchases of CDs were posted as tax or debt proceeds receipts.
- Interest receipts were recorded as miscellaneous receipts.
- Beginning balances did not agree to prior audited balances.
- Interest receipts included original stock principal and a corresponding other financing use was recorded to decrease the fund cash balance for this inclusion.

Inaccurate or incomplete posting of transactions impedes the ability of the Board to accurately assess the financial status of the Library. The Clerk/Treasurer should review postings for accuracy and completeness. Further, the Library should adopt policies and procedures including a final review of the financial statements by the Clerk/Treasurer and Board to ensure that errors and omissions are timely identified.

Client Response:

Will take time in analyzing all transactions in order to ensure proper coding at time of payment.



Mary Taylor, CPA
Auditor of State

GRANVILLE PUBLIC LIBRARY

LICKING 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
NOVEMBER 8, 2007**