



**HENDERSON MEMORIAL LIBRARY ASSOCIATION
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Henderson Memorial Library Association
Ashtabula County
54 East Jefferson Street
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Henderson Memorial Library Association, Ashtabula County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2000 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 grants.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 1, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$333,286		\$333,286
Patron Fines and Fees	19,514		19,514
Earnings on Investments	7,038		7,038
Contributions, Gifts and Donations	17,712		17,712
Miscellaneous Receipts	2,569		2,569
	<hr/>		<hr/>
Total Cash Receipts	380,119		380,119
	<hr/>		<hr/>
Cash Disbursements:			
Current:			
Salaries and Benefits	211,531		211,531
Purchased and Contracted Services	56,982		56,982
Library Materials and Information	90,158		90,158
Other Objects	5,415		5,415
Supplies	11,374		11,374
Capital Outlay	4,866	48,491	53,357
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	380,326	48,491	428,817
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(207)	(48,491)	(48,698)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts/(Disbursements):			
Transfers-Out	(1,473)		(1,473)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(1,473)		(1,473)
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,680)	(48,491)	(50,171)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	51,924	91,213	143,137
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$50,244</u>	<u>\$42,722</u>	<u>\$92,966</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	<u>\$9,110</u>		<u>\$9,110</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Nonexpendable Trust
Total Operating Cash Receipts	_____
Operating Cash Disbursements:	
Library Materials and Information	\$1,281
Total Operating Cash Disbursements	1,281
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(1,281)
Transfers-In	1,473
Net Receipts Over/(Under) Disbursements	192
Fund Cash Balances, January 1	22,203
Fund Cash Balances, December 31	\$22,395

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Other Government Grants-In-Aid	\$303,865		\$303,865
Patron Fines and Fees	20,734		20,734
Earnings on Investments	7,908		7,908
Contributions, Gifts and Donations	32,686		32,686
Miscellaneous Receipts	2,702		2,702
	<hr/>		<hr/>
Total Cash Receipts	367,895		367,895
Cash Disbursements:			
Current:			
Salaries and Benefits	185,968		185,968
Supplies	9,347		9,347
Purchased and Contracted Services	55,890		55,890
Library Materials and Information	59,315		59,315
Other Objects	5,044		5,044
Capital Outlay	20,558	5,885	26,443
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	336,122	5,885	342,007
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	31,773	(5,885)	25,888
Other Financing Receipts/(Disbursements):			
Transfers-In		44,100	44,100
Transfers-Out	(44,700)		(44,700)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(44,700)	44,100	(600)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(12,927)	38,215	25,288
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	64,851	52,998	117,849
Fund Cash Balances, December 31	<hr/> \$51,924 <hr/>	<hr/> \$91,213 <hr/>	<hr/> \$143,137 <hr/>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$1,226		\$1,226

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Operating Income/(Loss)	_____
Total Non-Operating Cash Receipts	_____
Total Non-Operating Cash Disbursements	_____
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	
Transfers-In	600
Net Receipts Over/(Under) Disbursements	600
Fund Cash Balances, January 1	21,603
Fund Cash Balances, December 31	\$22,203

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Henderson Memorial Library Association, Ashtabula County, (the Library) is a nonprofit Ohio Corporation originally chartered by the Secretary of the State of Ohio on July 6, 1983, as the Citizen's Library Association. According to the articles of incorporation, its goal is to "place good literature within the reach of its members and such persons as shall conform to the rules and regulations of said association..."

The Library's district coincides with the boundaries of Jefferson Township. The Library's service area, however, covers the mid-Ashtabula County region with free service offered to all county residents. There are seven other independent library districts in Ashtabula County, all of which issue their own financial statements.

The Henderson Memorial Library Association Association operates under the direction of a twelve member Board of Trustees. The Trustees are members of the Library Association elected by direct ballot by the Association Members to staggered four year terms. The trustees function as an independent board subject to the Ohio Revised Code, although the Library does not have authority to levy taxes or issue bonds. This must be done through the taxing authority - the Township Trustees.

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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

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. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Fund

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

Special Capital Project Fund - this fund receipts are used for improvements to the Library.

3. Fiduciary Fund (Non-Expendable Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant non-expendable trust funds:

The Nancy Irby and Woodbury Trust Funds - These are non-expendable trust funds for which only the interest can be expended for the purchase of books and/or library materials.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

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 follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$115,362	\$165,339

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$386,312	\$380,119	(\$6,193)
Capital Projects	0	0	0
Fiduciary	1,473	1,473	0
Total	\$387,785	\$381,592	(\$6,193)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$407,272	\$390,909	\$16,363
Capital Projects	46,390	48,491	(2,101)
Fiduciary	1,473	1,281	192
Total	\$455,135	\$440,681	\$14,454

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,998	\$367,895	\$16,897
Capital Projects	0	44,100	44,100
Fiduciary	0	600	600
Total	\$350,998	\$412,595	\$61,597

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$415,848	\$382,048	\$33,800
Capital Projects	5,885	5,885	0
Fiduciary	0	0	0
Total	\$421,733	\$387,933	\$33,800

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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 on account of any additional revenues realized by the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

As authorized in Section 3375.42, Revised Code, the electorate of Jefferson Township approved a renewal of a 0.5 mill levy for library purposes for five years beginning with tax year 1996. The Board of Trustees of Henderson Memorial Library Association entered into an agreement with the Jefferson Township Trustees to provide free library services to all the inhabitants of the Jefferson Area in return for the proceeds generated by the levy.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. The Library "Picks' Ups " the employees 8.5% contribution of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

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JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Henderson Memorial Library Association
Ashtabula County
54 East Jefferson Street
Jefferson, Ohio 44047

To the Board of Trustees:

We have audited the accompanying financial statements of the Henderson Memorial Library Association, Ashtabula County, Ohio (the Library), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated June 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 1, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

June 1, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HENDERSON MEMORIAL 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
JUNE 20, 2000**