



**Auditor of State
Betty Montgomery**

**PENINSULA LIBRARY AND HISTORICAL SOCIETY
SUMMIT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Peninsula Library and Historical Society
Summit County
P.O. Box 236
Peninsula, Ohio 44264-0236

To the Board of Trustees:

We have audited the accompanying statements of the assets and net assets – modified cash basis of Peninsula Library and Historical Society, Summit County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004, and the related statements of support and revenue, expenses and changes in net assets – modified cash basis and the statement of cash flows – modified cash basis, for the years then ended. 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets – modified cash basis of Peninsula Library and Historical Society, Summit County, Ohio, as of December 31, 2005 and 2004, and its support and revenue, expenses and changes in net assets – modified cash basis, and changes in cash flows – modified cash basis for the years then ended in conformity with the basis of accounting described in Note 1.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Financial Accounting Standards Board Statement No. 117, *Financial Statements of Not-for-Profit Organizations*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006 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.

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.

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

Betty Montgomery
Auditor of State

September 29, 2006

Peninsula Library and Historical Society, Summit County

*Statement of Assets and Net Assets - Modified Cash Basis
As of December 31, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
Current Assets		
Cash and Cash Equivalents	<u>\$156,973</u>	<u>\$113,511</u>
Net Assets		
Unrestricted	<u>156,973</u>	<u>113,511</u>
Total Net Assets	<u>\$156,973</u>	<u>\$113,511</u>

The accompanying notes are an integral part of these financial statements.

Peninsula Library and Historical Society, Summit County

*Statement of Support and Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
For the Years Ended December 31, 2005 and 2004
Unrestricted*

	<u>2005</u>	<u>2004</u>
Support and Revenue		
Library and Local Government Support	\$378,243	\$380,576
Property and Other Local Taxes	81,513	
Grants	1,100	6,864
Patrons Fines and Fees	5,809	6,296
Interest and Investment Income	1,709	1,646
Miscellaneous	160	
	<hr/>	<hr/>
Total Support and Revenue	468,534	395,382
Expenses		
Salaries	208,474	206,612
Employee Fringe Benefits	37,970	39,213
Purchased and Contractual Services	109,802	119,721
Library Materials and Information	58,466	54,721
Supplies	5,245	5,607
Other	2,851	2,158
Capital Outlay	2,264	
	<hr/>	<hr/>
Total Expenses	425,072	428,032
	<hr/>	<hr/>
Change in Net Assets	43,462	(32,650)
	<hr/>	<hr/>
Net Assets, Beginning of Year	113,511	146,161
	<hr/>	<hr/>
Net Assets, End of Year	<u>\$156,973</u>	<u>\$113,511</u>

The accompanying notes are an integral part of these financial statements.

Peninsula Library and Historical Society, Summit County

*Statement of Cash Flows - Modified Cash Basis
For The Years Ended December 31, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Increase/Decrease in Net Assets and Cash and Cash Equivalents	\$43,462	(\$32,650)
Cash and Cash Equivalents as of Beginning of Year	<u>113,511</u>	<u>146,161</u>
Cash and Cash Equivalents as of End of Year	<u><u>\$156,973</u></u>	<u><u>\$113,511</u></u>

The accompanying notes are an integral part of these financial statements.

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Peninsula Library and Historical Society
Summit County

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Library and Reporting Entity

The Peninsula Library and Historical Society (PLHS) opened in 1943 and was organized as an association library in 1946 under the laws of the State of Ohio. The PLHS has its own Board of Trustees of twelve members who are appointed by the Board's Nominating Committee, with final approval by the Board. Appointments are for three-year terms and members serve without compensation. Under Ohio statutes, the PLHS is a corporation capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The PLHS also determines and operates under its own budget. The PLHS was organized under section 1713.28 of the Ohio Revised Code and is governed by the PLHS Code of Regulations. The PLHS is a not-for-profit organization exempt from income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code. The administration of the day-to-day operations of the PLHS is the responsibility of the Director and financial accountability is the responsibility of the Clerk-Treasurer and the Deputy Clerk-Treasurer.

The PLHS is independent of any other library hierarchy, but has been a member of Clevnet since 2002 (Cleveland Public Library's automated circulation system and online catalog). As an association library, PLHS has no independent taxing authority. State law would allow the designation of a taxing authority, but our service area is spread out over three communities (Boston Heights, Boston Township and Peninsula) and three school districts (Hudson, Revere, and Woodridge). In 1984, the boards of both the PLHS and the Akron-Summit County Public Library (ASCPL) reached an agreement whereby ASCPL returns to PLHS the levy proceeds collected in our agreed upon service area.

The Friends of the Peninsula Library, Inc. is a not-for-profit organization with a self-appointing board. The PLHS is not financially accountable for the organization, nor does the PLHS approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the PLHS.

The Peninsula Library Foundation, Inc. is a not-for-profit organization with a self-appointing board. The PLHS is not financially accountable for the organization, nor does the PLHS approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the PLHS.

The Bordner Peninsula Library Fund is a not-for-profit organization with a self-supporting board. The PLHS is not financially accountable for the organization, nor does PLHS approve the budget on the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the PLHS.

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

Peninsula Library and Historical Society
Summit County

Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies

A. Basis of Accounting

The PLHS's financial statements are prepared using the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases are recognized when cash is disbursed rather than when the obligation is incurred.

As a result of the use of this modified 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 expenses and liabilities) are not recorded in these financial statements.

B. Cash and Cash Equivalents

Cash received by the PLHS is deposited in an interest bearing checking account. Individual fund integrity is maintained through the PLHS's records. The PLHS's financial institution has completed a depository agreement with assets pledged as collateral. As an association library, PLHS is prohibited from participation in STAR Ohio.

PLHS has no investments. At December 31, 2005, the carrying amount of PLHS's deposits was \$156,973 including undeposited cash-on-hand of \$200. At December 31, 2004, the carrying amount of PLHS's deposits was \$113,511 including undeposited cash-on-hand of \$200.

C. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Net Assets

The financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, PLHS is required to report information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

- Unrestricted net assets have no donor-imposed restrictions.
- Temporarily restricted net assets have donor-imposed restrictions that will expire in the future. There were no temporarily restricted net assets at December 31, 2005 and 2004.
- Permanently restricted net assets have donor-imposed restrictions which do not expire. There were no permanently restricted net assets at December 31, 2005 and 2004.

**Peninsula Library and Historical Society
Summit County**

*Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 3 – Change in Accounting Principles

For fiscal years 2005 and 2004, the PLHS has implemented FASB No. 117, “*Financial Statements of Not-for-Profit Organizations*.”

Last year the PLHS reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the PHLS has implemented the modified cash basis of accounting described in Note 2. The Statement of Support, Revenues and Expenses presents its financial position and activities according to three classes of net assets described in Note 2.

Note 4 - Property Taxes

The State Library of Ohio defines the service areas of public libraries in terms of school districts. In Summit County, the libraries have reached a mutual understanding as to the definition of the PLHS “service area” to be Boston Heights, Boston Township, and Peninsula. This “service area” covers parts of three school districts, two of which have been assigned to ASCPL by the State Library (Woodridge and Revere) and one which has not been (Hudson). While the Woodridge and Revere areas of the PLHS “service area” pay taxes levied by ASCPL, the Hudson areas of the PLHS “service area” do not. PLHS and ASCPL reached an agreement in 1984 whereby ASCPL would return to PLHS any tax revenues generated in the areas subject to ASCPL taxation that also fall within the PLHS “service area.” Those taxing districts which fall into this joint agreement between ASCPL and PLHS are Summit County taxing districts 6, 8, 11, 12, 14, and 44.

The County Fiscal Officer collects property tax on behalf of all taxing districts within the county, including those paying the ASCPL levy. The County Fiscal Officer periodically remits to ASCPL its portion of the taxes collected. Twice a year, ASCPL forwards to PLHS the levy proceeds collected in the mutually agreed upon “service area” subject to the ASCPL levy.

Note 5 - Library and Local Government Support

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State’s personal income tax. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. The Summit County Budget Commission allocated these funds to the PLHS based on formula which incorporated square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the PLHS based on any additional revenues the PLHS receives.

**Peninsula Library and Historical Society
Summit County**

*Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 6 - Risk Management

The PLHS 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. During 2005 and 2004, the PLHS contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage	
		2005	2004
Nationwide Insurance	Commercial Property	\$902,700	\$889,700
Nationwide Insurance	General Liability	1,000,000	1,000,000
Nationwide Insurance	Commercial Crime	5,000	5,000
Nationwide Insurance	Inland Marine	90,000	90,000
Nationwide Insurance	Vehicle	1,000,000	1,000,000
Utica National	Errors and Omissions	2,000,000	2,000,000
Ohio Farmers Insurance	Library Officials	8,000	8,000
Ohio Farmers Insurance	Fidelity and Deposit	2,200	2,200

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The PLHS pays the State Workers' 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 7 - Defined Benefit Pension Plan

The PLHS 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% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a costsharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

**Peninsula Library and Historical Society
Summit County**

*Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 7 - Defined Benefit Pension Plan (continued)

For the years ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The PLHS's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions.

The PLHS's required contributions for pension obligations for the years ended December 31, 2005, 2004, and 2003 were \$28,367, \$27,975 and \$35,571, respectively; the full amount has been contributed for 2005, 2004, and 2003.

Note 8 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional pension and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$8,374 and \$8,339, respectively. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

**Peninsula Library and Historical Society
Summit County**

*Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004*

Note 9 – Operating Leases

The PLHS leases two rooms for its museum and the Ricoh copier in the PLHS. The PLHS disbursed \$22,993 to pay lease costs for the year ended December 31, 2005. Future committed lease payments are as follows (amounts are rounded):

<u>Year</u>	<u>Amount</u>
2006	\$23,000
2007	23,000
2008	<u>6,500</u>
Total	<u>\$52,500</u>

Note 10 – Contingent Liabilities

The PLHS is a defendant in one lawsuit. The PLHS management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial conditions of the PLHS. The case was settled in August 2006.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Peninsula Library and Historical Society
Summit County
P.O. Box 236
Peninsula, Ohio 44264-0236

To the Board of Trustees:

We have audited the statements of assets and net assets – modified cash basis of Peninsula Library and Historical Society, Summit County, Ohio, (the Library) as of December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Financial Accounting Standards Board Statement No. 117. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated September 29, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 intend this report solely for the information and use of the Audit/Finance Committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 29, 2006



**Auditor of State
Betty Montgomery**

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PENINSULA LIBRARY AND HISTORICAL SOCIETY

SUMMIT 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 30, 2006**