



Mary Taylor, CPA  
Auditor of State



HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11

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**Mary Taylor, CPA**  
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 8, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Henderson Memorial Public Library Association, Ashtabula County, (the Library) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library 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 Government 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the governments larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006 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, 2007 and 2006, 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 and reserves for encumbrances of Henderson Memorial Public Library Association, Ashtabula County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 8, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

October 8, 2008

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$324,380			\$324,380
Intergovernmental	57,734			57,734
Patron Fines and Fees	20,608			20,608
Contributions, Gifts and Donations	36,289			36,289
Earnings on Investments	2,820	\$879	\$662	4,361
Miscellaneous	893			893
Total Cash Receipts	<u>442,724</u>	<u>879</u>	<u>662</u>	<u>444,265</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	203,016			203,016
Employee Fringe Benefits	54,836			54,836
Purchased and Contractual Services	72,078	239		72,317
Library Materials and Information	91,761	7,446	2,676	101,883
Supplies	7,978	615		8,593
Other	4,564			4,564
Capital Outlay	2,556			2,556
Total Cash Disbursements	<u>436,789</u>	<u>8,300</u>	<u>2,676</u>	<u>447,765</u>
Total Receipts Over/(Under) Disbursements	<u>5,935</u>	<u>(7,421)</u>	<u>(2,014)</u>	<u>(3,500)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	10,624			10,624
Total Other Financing Receipts / (Disbursements)	<u>10,624</u>			<u>10,624</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,559	(7,421)	(2,014)	7,124
Fund Cash Balances, January 1	46,659	28,574	15,397	90,630
<b>Fund Cash Balances, December 31</b>	<b><u>\$63,218</u></b>	<b><u>\$21,153</u></b>	<b><u>\$13,383</u></b>	<b><u>\$97,754</u></b>
Reserve for Encumbrances, December 31	<u>\$9,506</u>	<u>\$17</u>	<u>\$90</u>	<u>\$9,613</u>

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

HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Library and Local Government Support	\$315,442				\$315,442
Intergovernmental	28,437	\$2,413			30,850
Patron Fines and Fees	21,678				21,678
Contributions, Gifts and Donations	22,108	2,039	\$14,320		38,467
Earnings on Investments	2,142	1,175		\$779	4,096
Miscellaneous	1,734				1,734
<b>Total Cash Receipts</b>	<u>391,541</u>	<u>5,627</u>	<u>14,320</u>	<u>779</u>	<u>412,267</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries	196,312				196,312
Employee Fringe Benefits	51,190				51,190
Purchased and Contractual Services	74,385	237			74,622
Library Materials and Information	75,555	4,889		2,493	82,937
Supplies	8,409	592			9,001
Other	1,930				1,930
Capital Outlay	159		7,048		7,207
<b>Total Cash Disbursements</b>	<u>407,940</u>	<u>5,718</u>	<u>7,048</u>	<u>2,493</u>	<u>423,199</u>
Total Receipts Over/(Under) Disbursements	<u>(16,399)</u>	<u>(91)</u>	<u>7,272</u>	<u>(1,714)</u>	<u>(10,932)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	22,824				22,824
Advances-In	8,000		500		8,500
Advances-Out	(500)		(8,000)		(8,500)
Other Financing Uses	(1,531)				(1,531)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>28,793</u>		<u>(7,500)</u>		<u>21,293</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	12,394	(91)	(228)	(1,714)	10,361
Fund Cash Balances, January 1	34,265	28,665	228	17,111	80,269
<b>Fund Cash Balances, December 31</b>	<u><b>\$46,659</b></u>	<u><b>\$28,574</b></u>	<u><b>\$0</b></u>	<u><b>\$15,397</b></u>	<u><b>\$90,630</b></u>
Reserve for Encumbrances, December 31	<u>\$13,083</u>	<u>\$49</u>	<u>\$0</u>	<u>\$15</u>	<u>\$13,147</u>

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

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Henderson Memorial Public Library Association, Ashtabula County, (the Library) as a body corporate and politic. Henderson Memorial Public Library Association is a nonprofit Ohio Corporation originally chartered by the Secretary of State of Ohio on July 6, 1883, 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 confirm to the rules and regulations of said association..." The Library is directed by a 12-member Board of Trustees. The Board of Trustees are members of the Library Association elected by direct ballot by the Library Association members to staggered four year terms. The Trustees function as an independent board subject to the Ohio Revised Code and operates according to its by-laws, although the Library does not have authority to levy taxes or issue bonds. This must be done through the taxing authority, the Jefferson Township Trustees.

The Henderson Foundation is also associated with the Library. The Foundation's intent is to assist in the support, maintenance, promotion and development of the public educational and charitable works and activities in which the Henderson Memorial Public Library Association from time to time is engaged and all other things allowed by the Ohio Revised Code.

A compilation is prepared each year which is used by management of the Foundation for income tax purposes. The compilation report can be obtained from Duane C. Arcaro, CPA, Inc, 5223 N. Ridge Road W, Ashtabula, Ohio 44004.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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:

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**1. General Fund**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

*Vera Bernice Loyer Fund* – This fund is used to account for monies received from the Vera Loyer estate death claim with the revenue to be used for books and materials for elementary age children.

**3. Capital Project Fund**

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 Project Fund:

*Special Capital Project Fund* – This fund receipts are used for improvements to the Library.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant Permanent Funds:

The *Nance-Irby* and the *Woodbury Trust funds* – These funds are nonexpendable trust funds for which only the interest can be expended for the purpose of books and/or library materials.

**E. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**F. 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.

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$85,254	\$78,130
Certificates of deposit	12,500	12,500
Total deposits and investments	<u>\$97,754</u>	<u>\$90,630</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**3. GRANTS-IN-AID AND TAX RECEIPTS**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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.

The voters of Jefferson Township passed a 0.5-mill replacement library levy in November, 2005, for tax years 2005 – 2009. The revenue is collected by the County and disbursed through Jefferson Township to the Library.

**4. RETIREMENT SYSTEMS**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. RETIREMENT SYSTEMS – (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85% and 13.70%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007.

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**6. SUBSEQUENT EVENTS**

The Ashtabula County District Library has filed a Notice of Appeal, Case No. 2007-T-964, with the State of Ohio's Board of Tax Appeals, September 21, 2007. The appeal challenges the decision of the Ashtabula County Budget Commission regarding the distribution of the County's Library and Local Government Support Fund (LLGSF), now called the Public Library Fund (PLF). This would change Henderson's 2008 share from 8.47% (\$316,023 / \$3,730,766) to 7.45% (\$277,942 / \$3,730,766) for a dollar loss for 2008 of \$38,081 based on the most recently certified figures from the State of Ohio.



# 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 STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of Henderson Memorial Public Library Association, Ashtabula County, (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 8, 2008 wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 intend this report solely for the information and use of the audit committee, management, and Library Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 8, 2008



**Mary Taylor, CPA**  
Auditor of State

**HENDERSON MEMORIAL 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  
NOVEMBER 6, 2008**