

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDING DECEMBER 31, 2009 AND 2010



Dave Yost • Auditor of State

HOLGATE COMMUNITY LIBRARY
HENRY COUNTY

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Dave Yost • Auditor of State

Holgate Community Library
Henry County
P.O. Box 726
Holgate, Ohio 43527-0726

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 20, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Holgate Community Library
Henry County
P.O. Box 726
Holgate, Ohio 43527-0726

To the Board of Trustees:

We have audited the accompanying financial statements of Holgate Community Library, Henry County, (the Library) as of and for the years ended December 31, 2010 and 2009. 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. 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.

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 libraries 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, 2010 and 2009 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, 2010 and 2009, 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 and the fund cash balance of the Holgate Community Library, Henry County, as of December 31, 2010 and 2009, and its 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 April 20, 2011, 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.



Dave Yost
Auditor of State

April 20, 2011

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Cash Receipts:		
Library and Local Government Support	\$94,362	\$105,478
Patron Fines and Fees	179	211
Contributions, Gifts and Donations	185	100
Earnings on Investments	3,454	4,917
Miscellaneous	1,376	1,558
Total Cash Receipts	99,556	112,264
Cash Disbursements:		
Current:		
Salaries	60,984	64,654
Employee Fringe Benefits	9,449	9,986
Purchased and Contractual Services	23,714	23,141
Library Materials and Information	8,523	16,634
Supplies	6,400	2,694
Other	2,066	6,766
Capital Outlay		10,951
Debt Service		77,000
Total Cash Disbursements	111,136	211,826
Total Cash Disbursements Over Cash Receipts	(11,580)	(99,562)
Fund Cash Balance, January 1	151,276	250,838
Fund Cash Balance, December 31	\$139,696	\$151,276

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

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Holgate Community Library, Henry County, (the Library) as a body corporate and politic. The Holgate Local School District Board appoints 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. 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. 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 the Auditor of State prescribes or permits.

C. Deposits 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 classifies its fund into the following type:

General Fund

The General Fund reports all financial resources.

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 level of control.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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.

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.

2. Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2010	2009
Demand deposits	\$23,336	\$22,925
Petty Cash	10	10
Certificates of deposit	116,350	128,341
Total deposits	\$139,696	\$151,276

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,743	\$99,556	\$7,813
	\$91,743	\$99,556	\$7,813

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$129,881	\$111,136	\$18,745
	\$129,881	\$111,136	\$18,745

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,423	\$112,264	(\$16,159)
	\$128,423	\$112,264	(\$16,159)

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$254,925	\$211,826	\$43,099

4. Grants-in-aid Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

5. Retirement System

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.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, respectively, of their gross salaries and the Library contributed an amount equaling 14%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2010.

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Directors, officers, and employment liability.



Dave Yost • Auditor of State

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

Holgate Community Library
Henry County
P.O. Box 726
Holgate, Ohio 43527-0726

To the Board of Trustees:

We have audited the financial statements of Holgate Community Library, Henry County, (the Library) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 20, 2011, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

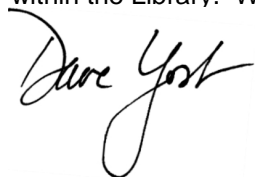
A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated April 20, 2011.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Library. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 20, 2011

**HOLGATE COMMUNITY LIBRARY
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Weakness – Monitoring of Financial Statements

Inaccurate posting of transactions impedes the ability of the Board of Trustees to accurately assess the financial status of the Library. We noted examples such as the following in our testing:

- State Library and Local Government Support Fund (LLGSF) monies in the amounts of \$94,362 and \$105,478, in 2010 and 2009, respectively, were incorrectly posted to the Property Taxes line item.
- Debt Principal Payments of \$77,000 were incorrectly posted to the Purchased and Contract Services line item in 2009 rather than Debt Service
- Construction expenditures of \$10,951 were incorrectly posted as Miscellaneous Expense in 2009 rather than Capital Outlay.

As a result, the Library's financial statements did not correctly reflect the financial activity of the Library. Six audit adjustments were posted to the financial statements to correct these and other errors.

We recommend the Board of Trustees adopt policies and procedures including a final review of the financial statements by the Board to ensure errors and omissions are detected and corrected.

FINDING NUMBER 2010-002

Significant Deficiency – Cash Reconciliations

Prior to closing out the cash receipts and disbursements ledgers each month, the bank account balances of the Library should be reconciled to the cash receipts and disbursements ledger fund balance in a timely manner. This procedure is an important method of detecting errors in the cash receipts and disbursements ledgers and bank account records. After this procedure is completed, any errors found should be immediately corrected, cash receipt and disbursement ledger records closed and month end financial information generated by the Clerk-Treasurer.

Even though the Library's check register is routinely reconciled to the bank checking account statements, there was no attempt to reconcile all bank accounts to the cash fund balance. This led to the reconciled bank balance being \$579 higher at December 31, 2009 and the reconciled book balance being \$440 higher as of December 31, 2010. The financial statements and accounting records have been adjusted for these variances.

We recommend the Clerk-Treasurer present evidence to the Board of Trustees the Library's bank account balances have been reconciled to the cash receipts and disbursements ledger fund balance each month. Since the Library's accounting system does not produce a statement showing current year expenditures, revenues, prior year fund balance and year end fund balance, we recommend the Library prepare a computerized spreadsheet showing this financial information. The ending fund balance of this report should match the total of the funds bank reconciliation.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

HOLGATE COMMUNITY LIBRARY
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Material Weakness for Monitoring of Financial Activity	No	Not Corrected. Repeated as Finding 2010-001 in this report.



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HOLGATE COMMUNITY LIBRARY

HENRY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2011**