



**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA 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 Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2005.....	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>	13

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Mary Taylor, CPA

Auditor of State

Harris-Elmore Public Library
Ottawa County
328 Toledo Street, P.O. Box 45
Elmore, Ohio 43416-0045

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 24, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Harris-Elmore Public Library
Ottawa County
328 Toledo Street, P.O. Box 45
Elmore, Ohio 43416-0045

To the Board of Trustees:

We have audited the accompanying financial statements of the Harris-Elmore Public Library, Ottawa County, (the Library) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 Library's 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 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, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

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

As described in Note 2, the Library changed the classification of funds previously classified as expendable trust funds.

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 July 24, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 audits.



Mary Taylor, CPA
Auditor of State

July 24, 2007

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA 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>All Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$469,942			\$469,942
Patron Fines and Fees	13,200			13,200
Contributions, Gifts and Donations		\$23,725		23,725
Earnings on Investments	9,138	524		9,662
	<u>492,280</u>	<u>24,249</u>		<u>516,529</u>
Cash Disbursements:				
Current:				
Salaries	277,690			277,690
Employee Fringe Benefits	58,116			58,116
Purchased and Contractual Services	77,189	728	\$3,817	81,734
Library Materials and Information	61,194	388		61,582
Supplies	15,637			15,637
Other	18,097			18,097
Capital Outlay		6,730		6,730
	<u>507,923</u>	<u>7,846</u>	<u>3,817</u>	<u>519,586</u>
Total Cash Disbursements	<u>507,923</u>	<u>7,846</u>	<u>3,817</u>	<u>519,586</u>
Total Receipts Over/(Under) Disbursements	<u>(15,643)</u>	<u>16,403</u>	<u>(3,817)</u>	<u>(3,057)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	30,000			30,000
Transfers-Out			(30,000)	(30,000)
	<u>30,000</u>		<u>(30,000)</u>	
Total Other Financing Receipts / (Disbursements)	<u>30,000</u>		<u>(30,000)</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,357	16,403	(33,817)	(3,057)
Fund Cash Balances, January 1	<u>96,702</u>	<u>38,933</u>	<u>200,280</u>	<u>335,915</u>
Fund Cash Balances, December 31	<u>\$111,059</u>	<u>\$55,336</u>	<u>\$166,463</u>	<u>\$332,858</u>

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

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Library and Local Government Support	\$469,942			\$469,942
Patron Fines and Fees	14,202			14,202
Contributions, Gifts and Donations		\$7,394		7,394
Earnings on Investments	6,527	243		6,770
	490,671	7,637		498,308
Cash Disbursements:				
Current:				
Salaries	271,121			271,121
Employee Fringe Benefits	62,898			62,898
Purchased and Contractual Services	73,523			73,523
Library Materials and Information	57,916	3,862		61,778
Supplies	17,718	2,369		20,087
Other	15,250			15,250
Capital Outlay	1,420	1,184	\$18,936	21,540
	499,846	7,415	18,936	526,197
Total Cash Disbursements	499,846	7,415	18,936	526,197
Total Receipts Over/(Under) Disbursements	(9,175)	222	(18,936)	(27,889)
Fund Cash Balances, January 1	105,877	38,711	219,216	363,804
Fund Cash Balances, December 31	\$96,702	\$38,933	\$200,280	\$335,915

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

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Harris-Elmore Public Library, Ottawa County, (the Library) as a body corporate and politic. The Woodmore Board of Education 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. 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:

1. General Fund

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

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 Funds:

Memorial Fund – This fund receives contributions, gifts, and donations to purchase library materials and equipment.

Building Addition Fund – This fund receives contributions, gifts, and donations to furnish the Genoa branch addition.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant capital project fund:

Building Fund – The proceeds of this fund are used for major equipment purchases and the construction, maintenance and repair of Library buildings.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

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.

2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES

Changes to fund classifications introduced as part of the changes to the financial reporting model established by GASB Statement No. 34 eliminated expendable and nonexpendable trust fund classifications. Beginning in fiscal year 2005 the Library funds previously classified as expendable trust funds were reclassified to special revenue funds, as the Library deemed this classification more appropriate based on the permitted use of these funds. This change in classification and restatement had the following effect on the fund balances previously reported for the year ended December 31, 2004:

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES – (CONTINUED)

	Special Revenue Funds	Fiduciary Funds	Total
Fund Balance at December 31, 2004		(\$38,711)	(\$38,711)
Fund reclassification	38,711		38,711
Total	<u>38,711</u>	<u>(\$38,711)</u>	

3. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$141,994	\$151,101
Cash on hand	\$40	\$40
Certificates of deposit	190,824	184,774
Total deposits	<u>\$332,858</u>	<u>\$335,915</u>

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

4. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$492,441	\$522,280	\$29,839
Special Revenue	4,800	24,249	19,449
Capital Projects	12,650		(12,650)
Total	<u>\$509,891</u>	<u>\$546,529</u>	<u>\$36,638</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$589,143	\$507,923	\$81,220
Special Revenue	12,000	7,846	4,154
Capital Projects	45,000	33,817	11,183
Total	<u>\$646,143</u>	<u>\$549,586</u>	<u>\$96,557</u>

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$494,489	\$490,671	(\$3,818)
Special Revenue	4,750	7,637	2,887
Capital Projects	11,500		(11,500)
Total	\$510,739	\$498,308	(\$12,431)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$600,365	\$499,846	\$100,519
Special Revenue	14,000	7,415	6,585
Private Purpose Trust	45,000	18,936	26,064
Total	\$659,365	\$526,197	\$133,168

5. GRANTS-IN-AID

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

6. 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 prescribe this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Library contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

**HARRIS-ELMORE PUBLIC LIBRARY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Employers liability;
- Vehicles;
- Inland marine;
- Umbrella coverage; and
- Errors and omissions.

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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*

Harris-Elmore Public Library
Ottawa County
328 Toledo Street, P.O. Box 45
Elmore, Ohio 43416-0045

To the Board of Trustees:

We have audited the financial statements of the Harris-Elmore Public Library, Ottawa County, (the Library) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 24, 2007, 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 and the Library reclassified funds previously reported as expendable trust funds. We conducted our audits 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 audits, 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.

We noted certain matters that we reported to the Library's management in a separate letter dated July 24, 2007.

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 audits 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 a certain noncompliance matter that we reported to the Library's management in a separate letter dated July 24, 2007.

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.



Mary Taylor, CPA
Auditor of State

July 24, 2007



Mary Taylor, CPA
Auditor of State

HARRIS-ELMORE PUBLIC LIBRARY

OTTAWA 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
AUGUST 21, 2007**