

***PENINSULA LIBRARY AND HISTORICAL  
SOCIETY***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006***

***Charles E. Harris and Associates, Inc.***  
Certified Public Accountants and Government Consultants





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Peninsula Library and Historical Society  
6105 Riverview Road  
P.O. Box 236  
Peninsula, Ohio 44264

We have reviewed the *Report of Independent Accountants* of the Peninsula Library and Historical Society, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Peninsula Library and Historical Society is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 14, 2008

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***PENINSULA LIBRARY AND HISTORICAL SOCIETY***  
***SUMMIT COUNTY***  
**AUDIT REPORT**

For the years ended December 31, 2007 and 2006

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Peninsula Library and Historical Society  
Summit County  
P.O. Box 235  
Peninsula, Ohio 44264-0236

To the Board of Trustees:

We have audited the accompanying statements of assets and net assets – cash basis of Peninsula Library and Historical Society, Summit County, Ohio, (the PLHS) as of and for the years ended December 31, 2007 and 2006, and the related statements of support and revenue, expenses and changes in net assets – cash basis and the statement of cash flows – cash basis, for the years then ended. These financial statements are the responsibility of the PLHS' 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the 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 – cash basis of Peninsula Library and Historical Society, Summit County, Ohio, as of December 31, 2007 and 2006, and its support and revenue, expenses and changes in net assets – cash basis, and changes in cash flows – cash basis for the years then ended in conformity with the basis of accounting Note 1 describes.

**In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2008 on our consideration of the PLHS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.**

***Charles E. Harris & Associates, Inc.***  
**July 11, 2008**

**Peninsula Library and Historical Society, Summit County**

*Statement of Assets and Net Assets - Cash Basis*

*As of December 31, 2007 and 2006*

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	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash and Cash Equivalents	<u>\$ 213,817</u>	<u>\$ 200,080</u>
<i>Total Assets</i>	<u><u>\$ 213,817</u></u>	<u><u>\$ 200,080</u></u>
<b>Net Assets</b>		
Unrestricted	<u>\$ 213,817</u>	<u>\$ 200,080</u>
<i>Total Net Assets</i>	<u><u>\$ 213,817</u></u>	<u><u>\$ 200,080</u></u>

See accompanying notes to the basic financial statements



**Peninsula Library and Historical Society, Summit County**

*Statement of Support and Revenue, Expenses and Changes in Net Assets - Cash Basis*

*For the Years Ended December 31, 2007 and 2006*

*Unrestricted*

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	<u>2007</u>	<u>2006</u>
<b>Support and Revenue</b>		
Library and Local Government Support	\$ 389,320	\$ 387,237
Property and Other Local Taxes	117,299	111,715
Intergovernmental	8,381	8,255
Patron Fines and Fees	6,640	5,936
Interest and Investment Income	2,224	2,225
	<hr/>	<hr/>
<i>Total Support and Revenue</i>	523,864	515,368
	<hr/>	<hr/>
<b>Expenses</b>		
Salaries	255,973	235,413
Employee Benefits	50,035	43,439
Purchased and Contractual Services	118,220	111,688
Library Materials and Information	67,162	59,075
Supplies	6,405	6,224
Other	2,492	3,031
Capital Outlay	9,840	13,391
	<hr/>	<hr/>
<i>Total Expenses</i>	510,127	472,261
	<hr/>	<hr/>
<i>Change in Net Assets</i>	13,737	43,107
	<hr/>	<hr/>
<i>Net Assets, Beginning of Year</i>	200,080	156,973
	<hr/>	<hr/>
<i>Net Assets, End of Year</i>	\$ 213,817	\$ 200,080
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

**Peninsula Library and Historical Society, Summit County**

*Statement of Cash Flows - Cash Basis*

*For The Years Ended December 31, 2007 and 2006*

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	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Increase/Decrease in Net Assets and Cash and Cash Equivalents	\$ 13,787	\$ 43,107
Cash and Cash Equivalents as of Beginning of Year	<u>200,080</u>	<u>156,973</u>
Cash and Cash Equivalents as of End of Year	<u>\$ 213,867</u>	<u>\$ 200,080</u>

See accompanying notes to the basic financial statements

**Peninsula Library & Historical Society**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007 and 2006*

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

**Note 2 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The PLHS's financial statements are prepared using the 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 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.

**Peninsula Library & Historical Society**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007 and 2006*

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**Note 2 - Summary of Significant Accounting Policies – (continued)**

**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, 2007, the carrying amount of PLHS's deposits was \$213,817 including undeposited cash-on-hand of \$200. At December 31, 2006, the carrying amount of PLHS's deposits was \$200,080 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, 2007 and 2006.
- Permanently restricted net assets have donor-imposed restrictions which do not expire. There were no permanently restricted net assets at December 31, 2007 and 2006.

**Note 3 - 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.

**Peninsula Library & Historical Society**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2007 and 2006

**Note 4 - 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, fulltime 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.

**Note 5 - 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 2007 and 2006, the PLHS contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	
		<u>2007</u>	<u>2006</u>
Nationwide Insurance	Commercial Property	\$ 957,000	\$ 902,700
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 Deposits	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 6 - 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 cost-sharing, 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.

**Peninsula Library & Historical Society**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007 and 2006*

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**Note 6 - Defined Benefit Pension Plan – (continued)**

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.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The PLHS's contribution rate for pension benefits was 13.7 percent. For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The PLHS's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The PLHS's required contributions for pension obligations for the years ended December 31, 2007, 2006, and 2005 were \$35,309, \$32,259, and \$28,367 respectively; the full amount has been contributed for 2007, 2006, and 2005.

**Note 7 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.0 percent of covered payroll from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007 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, 2006, include a rate of return on investments of 6.5 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 at the projected wage inflation rate plus an additional factor ranging from 0.5 percent to 5 percent for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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.

**Peninsula Library & Historical Society**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007 and 2006*

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**Note 7 - Postemployment Benefits – (continued)**

The number of active contributing participants in the traditional and combined plans was 374,979 in 2007 and 369,214 in 2006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 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. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Note 8 – Leases**

The PLHS leases two rooms for its museum and the Ricoh copier in the library. The PLHS disbursed \$23,003 to pay lease costs for the year ended December 31, 2007. It disbursed \$21,802 for the year ended December 31, 2006. Future committed lease payments are as follows (amounts are rounded):

Year	Amount
2008	\$ 23,000
2009	6,000
Total	<u>\$ 29,000</u>

**Note 9 – Contingent Liabilities**

The PLHS was 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 condition of the PLHS. The case was settled in August 2006. The PLHS has no other known contingent liabilities.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Peninsula Library and Historical Society  
Summit County  
P.O. Box 235  
Peninsula, Ohio 44264-0236

To the Board of Trustees:

We have audited the statement of assets and net assets – cash basis and the statement of support and revenue, expenses and changes in net assets – cash basis and the statement of cash flows – cash basis of the Peninsula Library and Historical Society, Summit County, Ohio (Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 11, 2008, wherein we noted the Library followed the cash basis of accounting. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 basis of accounting such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

***Charles E. Harris & Associates, Inc.***

July 11, 2008

### **STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2004 and 2005, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**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 6, 2008**