



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

This Page is Intentionally Left Blank.

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, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non Expendable Trust Funds - For the Year Ended December 31, 2005.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Non Expendable Trust Funds - For the Year Ended December 31, 2004.....	8
Notes to the Financial Statements	10
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

October 31, 2006

This page intentionally left blank.



Auditor of State Betty Montgomery

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, 2005 and December 31, 2004. 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 Library 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.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 31, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 31, 2006

**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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$322,177			\$322,177
Intergovernmental	27,159	\$2,625		29,784
Patron Fines and Fees	20,428			20,428
Earnings on Investments	1,114	868	\$644	2,626
Contributions, Gifts and Donations	20,008		28,249	48,257
Miscellaneous Receipts	1,199			1,199
Total Cash Receipts	<u>392,085</u>	<u>3,493</u>	<u>28,893</u>	<u>424,471</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	193,486			193,486
Employee Fringe Benefits	48,180			48,180
Purchased and Contracted Services	63,964			63,964
Library Materials and Information	72,559	7,554		80,113
Supplies	8,958			8,958
Other	4,964			4,964
Capital Outlay	970		69,648	70,618
Total Cash Disbursements	<u>393,081</u>	<u>7,554</u>	<u>69,648</u>	<u>470,283</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(996)</u>	<u>(4,061)</u>	<u>(40,755)</u>	<u>(45,812)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	5,916			5,916
Advances-In			7,500	7,500
Advances-Out	(7,500)			(7,500)
Total Other Financing Receipts/(Disbursements)	<u>(1,584)</u>		<u>7,500</u>	<u>5,916</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,580)	(4,061)	(33,255)	(39,896)
Fund Cash Balances, January 1	36,845	32,726	33,483	103,054
Fund Cash Balances, December 31	<u>\$34,265</u>	<u>\$28,665</u>	<u>\$228</u>	<u>\$63,158</u>
Reserves for Encumbrances, December 31	<u>\$5,865</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,865</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
NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$535
Operating Cash Disbursements:	
Current:	
Library Materials and Information	6,021
Operating Income/(Loss)	(5,486)
Fund Cash Balances, January 1	22,597
Fund Cash Balances, December 31	\$17,111

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, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Library and Local Government Support	\$311,961			\$311,961
Intergovernmental	27,021		\$7,500	34,521
Patron Fines and Fees	20,758			20,758
Earnings on Investments	343	\$304	304	951
Contributions, Gifts and Donations	12,267			12,267
Miscellaneous Receipts	877			877
Total Cash Receipts	<u>373,227</u>	<u>304</u>	<u>7,804</u>	<u>381,335</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	195,226			195,226
Employee Fringe Benefits	47,010			47,010
Purchased and Contracted Services	62,273			62,273
Library Materials and Information	54,399	4,967		59,366
Supplies	6,284			6,284
Other	4,924			4,924
Capital Outlay	986		4,850	5,836
Total Cash Disbursements	<u>371,102</u>	<u>4,967</u>	<u>4,850</u>	<u>380,919</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,125</u>	<u>(4,663)</u>	<u>2,954</u>	<u>416</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	1,639			1,639
Transfers-Out	(59)			(59)
Total Other Financing Receipts/(Disbursements)	<u>1,580</u>			<u>1,580</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>3,705</u>	<u>(4,663)</u>	<u>2,954</u>	<u>1,996</u>
Fund Cash Balances, January 1	<u>33,140</u>	<u>37,389</u>	<u>30,529</u>	<u>101,058</u>
Fund Cash Balances, December 31	<u>\$36,845</u>	<u>\$32,726</u>	<u>\$33,483</u>	<u>\$103,054</u>
Reserves for Encumbrances, December 31	<u>\$1,777</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,777</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
NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investments	\$207
Operating Cash Disbursements:	
Current:	
Library Materials and Information	419
Operating Income/(Loss)	(212)
Transfers-In	59
Net Receipts Over/(Under) Disbursements	(153)
Fund Cash Balances, January 1	22,750
Fund Cash Balances, December 31	\$22,597

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, 2005 AND 2004**

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 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. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements 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. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library 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 accounts for 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vera 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.

Reach for Book Bags – The revenue source is through a grant from the Ashtabula Foundation. The library was awarded \$2,625 which was fully spent in 2005. The purpose was to purchase canvas bags, books, movies, and a variety of educational props. The bags were designed to aid teachers and home-schoolers with their curriculum and class assignments.

3. Capital Project Funds

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. Fiduciary Funds (Trust Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant fiduciary 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains cash used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$67,769	\$125,651
Certificates of Deposits	<u>12,500</u>	<u>0</u>
Total Deposits	<u>\$80,269</u>	<u>\$125,651</u>

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

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

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 Board 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.

4. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2005.

5. RISK MANAGEMENT

Commercial Insurance

The Henderson Memorial Public Library Association has obtained commercial insurance for the following risks:

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

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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 the Henderson Memorial Public Library Association, Ashtabula County, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated October 31, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Henderson Memorial Public Library Association
Ashtabula County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 31, 2006



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
JANUARY 18, 2007