



Dave Yost • Auditor of State

HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Henderson Memorial Public Library Association, Ashtabula County, (the Library) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Henderson Memorial Public Library Association, Ashtabula County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012, the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2014

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Public Library	\$250,472		\$0		\$250,472
Intergovernmental	57,624	\$1,512			59,136
Patron Fines and Fees	11,237				11,237
Contributions, Gifts and Donations	56,805				56,805
Earnings on Investments	227	3		\$25	256
Miscellaneous	2,202				2,202
<i>Total Cash Receipts</i>	<u>378,567</u>	<u>1,515</u>	<u>0</u>	<u>25</u>	<u>380,108</u>
Cash Disbursements					
Current:					
Library Services	377,570	1,981			379,550
Capital Outlay	868				868
<i>Total Cash Disbursements</i>	<u>378,438</u>	<u>1,981</u>	<u>0</u>	<u>0</u>	<u>380,419</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>129</u>	<u>(465)</u>	<u>0</u>	<u>25</u>	<u>(311)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	10,880				10,880
Advances In	7,500				7,500
Advances Out	0	(7,500)			(7,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,380</u>	<u>(7,500)</u>	<u>0</u>	<u>0</u>	<u>10,880</u>
<i>Net Change in Fund Cash Balances</i>	18,509	(7,965)	0	25	10,569
<i>Fund Cash Balances, January 1</i>	<u>156,577</u>	<u>10,285</u>	<u>1,798</u>	<u>12,652</u>	<u>181,312</u>
Fund Cash Balances, December 31					
Nonspendable				12,500	12,500
Restricted		2,320	1,798	177	4,296
Unassigned (Deficit)	175,085				175,085
<i>Fund Cash Balances, December 31</i>	<u>\$175,085</u>	<u>\$2,320</u>	<u>\$1,798</u>	<u>\$12,677</u>	<u>\$191,881</u>

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

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Public Library	\$242,877		\$0		\$242,877
Intergovernmental	55,379	\$6,243			61,622
Patron Fines and Fees	14,942				14,942
Contributions, Gifts and Donations	26,717				26,717
Earnings on Investments	252	7		\$18	278
Miscellaneous	3,221				3,221
<i>Total Cash Receipts</i>	<u>343,387</u>	<u>6,250</u>	<u>0</u>	<u>18</u>	<u>349,656</u>
Cash Disbursements					
Current:					
Library Services	358,047	1,206			359,253
Capital Outlay	1,301		3,202		4,503
<i>Total Cash Disbursements</i>	<u>359,348</u>	<u>1,206</u>	<u>3,202</u>	<u>0</u>	<u>363,756</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,961)</u>	<u>5,045</u>	<u>(3,202)</u>	<u>18</u>	<u>(14,100)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	10,093				10,093
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,093</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,093</u>
<i>Net Change in Fund Cash Balances</i>	<u>(5,867)</u>	<u>5,045</u>	<u>(3,202)</u>	<u>18</u>	<u>(4,006)</u>
<i>Fund Cash Balances, January 1</i>	<u>162,444</u>	<u>5,241</u>	<u>5,000</u>	<u>12,634</u>	<u>185,319</u>
Fund Cash Balances, December 31					
Nonspendable				12,500	12,500
Restricted		10,285	1,798	152	12,236
Unassigned (Deficit)	156,577				156,577
<i>Fund Cash Balances, December 31</i>	<u>\$156,577</u>	<u>\$10,285</u>	<u>\$1,798</u>	<u>\$12,652</u>	<u>\$181,312</u>

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

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, Ashtabula County, (the Library) as a body corporate and politic.

The Henderson Memorial Public Library Association (the 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 conform to the rules and regulations of said association..." The Library is directed by a 9-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 bylaws, 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 Association deems some funds it receives as private monies. Private monies include: membership dues, private donations and bequests. The Library Association need not comply with Ohio Revised Code Chapter 3375 when disbursing private money in accordance with its by-laws. The accompanying financial statements do not present private monies.

A compilation is prepared each year which is used by management of the Library Association for income tax purposes. The compilation report can be obtained from Lynn Peskoran, Fiscal Officer, 54 East Jefferson Street, Jefferson, Ohio 44047.

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

A compilation is prepared each year which is used by management of the Foundation for income tax purposes. The compilation report can be obtained from Summers, Horner, Daughtrey, & Westby, Certified Public Accountants, P.O. Box 510308, Punta Gorda, FL 33951-0308.

The Library's management believes these financial statements present all activities of public funds 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).

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

B. Accounting Basis (Continued)

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 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 and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Fund:

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project fund:

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

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Library's programs (for the benefit of the Library or its citizenry). The Library had the following significant permanent fund:

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.

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the object level of control.

A summary of 2012 and 2013 budgetary activity appears in Note 3

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

G. 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.

H. 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 Deposits and Investments

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

	2013	2012
Demand deposits	\$179,381	\$168,812
Certificates of deposit	12,500	12,500
Total deposits	191,881	181,312
Total deposits and investments	\$191,881	\$181,312

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

At December 31, 2013, no deposits were uninsured or uncollateralized, contrary to Ohio law.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and December 31, 2012, follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$397,228	\$396,947	(\$281)
Special Revenue	3,762	1,515	(2,247)
Permanent	50	25	(25)
Total	\$401,040	\$398,487	(\$2,553)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$415,466	\$378,438	\$37,028
Special Revenue	12,023	9,481	2,542
Permanent	152	0	152
Total	\$427,641	\$387,919	\$39,722

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$369,521	\$353,481	(\$16,040)
Special Revenue	10,005	6,250	(3,755)
Permanent	50	18	(32)
Total	\$379,576	\$359,750	(\$19,826)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$398,717	\$359,348	\$39,369
Special Revenue	12,623	1,206	11,417
Capital Projects	0	3,202	(3,202)
Permanent	134	0	134
Total	\$411,474	\$363,755	\$47,719

4. Grants-in-aid and Tax 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, billing, collecting, and distributing all property taxes on behalf of the Library.

The voters of Jefferson Township passed a .5 mill renewal levy for the library in May 2011, for tax years 2011-2015. The revenue is collected by the County and disbursed through Jefferson Township to the Library.

**HENDERSON MEMORIAL PUBLIC LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed \$19,876 and \$18,124, respectively, 10% of their gross salaries and the Library contributed an amount equaling \$27,827 and \$25,374 respectively, 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2013.

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



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INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the Henderson Memorial Public Library Association, Ashtabula County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 29, 2014 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

April 29, 2014



Dave Yost • Auditor of State

HENDERSON MEMORIAL 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
MAY 13, 2014**