



OHIO AUDITOR OF STATE
KEITH FABER



**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Henderson Memorial Public Library Association, Ashtabula County, Ohio (the Library Association) as of and for the years ended December 31, 2019 and 2018.

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 Association'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 Association's internal control. Accordingly, we express no such 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 opinions.

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

As described in Note 2 of the financial statements, the Library Association 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library Association does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Association as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Henderson Memorial Public Library Association, Ashtabula County as of December 31, 2019 and 2018, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020, on our consideration of the Library Association'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 Association's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 20, 2020

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Permanent	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$146,377	\$0	\$146,377
Public Library	292,256		292,256
Intergovernmental	21,905		21,905
Patron Fines and Fees	12,718		12,718
Contributions, Gifts and Donations	98,915		98,915
Earnings on Investments	371		371
Miscellaneous	5,755		5,755
<i>Total Cash Receipts</i>	<u>578,297</u>	<u>0</u>	<u>578,297</u>
Cash Disbursements			
Current:			
Library Services	476,249		476,249
Debt Service:			
Principal Retirement	124,953		124,953
Interest and Fiscal Charges	2,939		2,939
<i>Total Cash Disbursements</i>	<u>604,141</u>	<u>0</u>	<u>604,141</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,844)</u>	<u>0</u>	<u>(25,844)</u>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	145		145
<i>Total Other Financing Receipts (Disbursements)</i>	<u>145</u>	<u>0</u>	<u>145</u>
<i>Net Change in Fund Cash Balances</i>	<u>(25,699)</u>	<u>0</u>	<u>(25,699)</u>
<i>Fund Cash Balances, January 1</i>	<u>170,430</u>	<u>12,545</u>	<u>182,975</u>
Fund Cash Balances, December 31			
Nonspendable		12,500	12,500
Restricted		45	45
Assigned	27,878		27,878
Unassigned (Deficit)	116,853		116,853
<i>Fund Cash Balances, December 31</i>	<u>\$144,731</u>	<u>\$12,545</u>	<u>\$157,276</u>

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

For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Henderson Memorial Public Library Association (the Library Association), Ashtabula County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

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 Association 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 Association 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: 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 Mrs. Ronni Charles, Fiscal Officer, 54 East Jefferson Street, Jefferson, Ohio 44047.

The Henderson Foundation is also associated with the Library Association. 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 Association's management believes these financial statements present all activities for which the Library Association is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library Association's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Library Association uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library Association are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2019

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 Association's programs (for the benefit of the Library Association or its citizenry). The Library Association had the following significant permanent 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.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered 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 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Library Association'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.

Capital Assets

The Library Association records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Fund Balance

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

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Non-spendable - The Library Association classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

Committed - The Board of Trustees can *commit* amounts via formal action (resolution). The Library Association must adhere to these commitments unless the Board amends 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.

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 the Library Association Board or a Library Association official delegated that authority by resolution, or by State Statute.

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 Association 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$574,750	\$578,442	\$3,692
Permanent	19	0	(19)
Total	\$574,769	\$578,442	\$3,673

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$644,698	\$604,147	\$40,551
Permanent	64	0	64
Total	\$644,762	\$604,147	\$40,615

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 4 – Deposits

The Library Association 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:

	<u>2019</u>
Demand deposits	\$144,731
Certificates of Deposit	<u>12,545</u>
Total deposits	<u><u>\$157,276</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2019 all deposits were insured by the FDIC.

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Association 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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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 Association 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 Intergovernmental Revenue. 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, and for billing, collecting, and distributing all property taxes on behalf of the Library Association.

The voters of Jefferson Township passed a 1.5 mill renewal levy for the Library Association on March 15, 2016 for tax years 2016-2021. The revenue is collected by the County and disbursed through Jefferson Township to the Library Association.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Library Association 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 (if material).

Commercial Insurance

The Library Association has obtained commercial insurance for the following risks

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library Association'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. OPERS members contributed 10%, of their gross salaries and the Library Association contributed an amount equaling 14%, of participants' gross salaries. The Library Association has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Andover Bank Promissory Note	\$52,453	3.875%
Henderson Foundation Loan	<u>\$20,000</u>	0%
Total	<u><u>\$72,453</u></u>	

On November 5, 2018, the Library Association issued a \$174,925 promissory note to Andover Bank to finance a new HVAC system for the Library Association. During fiscal year 2019 the Library Association made a onetime additional principal payment of \$100,000 to this note.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2019

On November 5, 2018, the Henderson Foundation allocated a \$25,000 interest free loan to the Library Association to be paid back over a period of 5 years beginning in 2019.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Andover Bank Promissory Note	Henderson Foundation Loan
2020	\$21,128	\$5,000
2021	21,128	5,000
2022	15,846	5,000
2023		5,000
Total	<u>\$58,102</u>	<u>\$20,000</u>

**HENDERSON MEMORIAL PUBLIC LIBRARY ASSOCIATION
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Permanent	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$164,617	\$0	\$164,617
Public Library	280,548		280,548
Intergovernmental	17,559		17,559
Patron Fines and Fees	13,053		13,053
Contributions, Gifts and Donations	44,372		44,372
Earnings on Investments	1,068	18	1,086
Miscellaneous	1,212		1,212
<i>Total Cash Receipts</i>	<u>522,429</u>	<u>18</u>	<u>522,447</u>
Cash Disbursements			
Current:			
Library Services	609,728		609,728
Debt Service:			
Principal Retirement	2,519		2,519
Interest and Fiscal Charges	1,003		1,003
<i>Total Cash Disbursements</i>	<u>613,250</u>	<u>0</u>	<u>613,250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(90,821)</u>	<u>18</u>	<u>(90,803)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	199,425		199,425
Sale of Capital Assets	817		817
Other Financing Uses	(1,951)		(1,951)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>198,291</u>	<u>0</u>	<u>198,291</u>
<i>Net Change in Fund Cash Balances</i>	107,470	18	107,488
<i>Fund Cash Balances, January 1</i>	<u>62,960</u>	<u>12,527</u>	<u>75,487</u>
Fund Cash Balances, December 31			
Nonspendable		12,500	12,500
Restricted		45	45
Assigned	124,948		124,948
Unassigned (Deficit)	45,482		45,482
<i>Fund Cash Balances, December 31</i>	<u>\$170,430</u>	<u>\$12,545</u>	<u>\$182,975</u>

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

For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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The Library Association deems some funds it receives as private monies. Private monies include: 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 Mrs. Ronni Charles, Fiscal Officer, 54 East Jefferson Street, Jefferson, Ohio 44047.

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The Library Association's management believes these financial statements present all activities for which the Library Association is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library Association's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Library Association uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library Association are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2018

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 Association's programs (for the benefit of the Library Association or its citizenry). The Library Association had the following significant permanent 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.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Library Association'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.

Capital Assets

The Library Association records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Fund Balance

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

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Non-spendable - The Library Association classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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.

Committed - The Board of Trustees can *commit* amounts via formal action (resolution). The Library Association must adhere to these commitments unless the Board amends 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.

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 the Library Association Board or a Library Association official delegated that authority by resolution, or by State Statute.

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 Association 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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$751,352	\$722,671	(\$28,681)
Permanent	52	18	(34)
Total	\$751,404	\$722,689	(\$28,715)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$645,033	\$615,341	\$29,692
Permanent	27	0	27
Total	\$645,060	\$615,341	\$29,719

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 4 – Deposits

The Library Association 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:

	<u>2018</u>
Demand deposits	\$170,430
Other time deposits(savings)	<u>12,545</u>
Total deposits	<u><u>\$182,975</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018 all deposits were insured by the FDIC.

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Association 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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

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 Association 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 Intergovernmental Revenue. 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, and for billing, collecting, and distributing all property taxes on behalf of the Library Association.

The voters of Jefferson Township passed a 1.5 mill renewal levy for the Library Association on March 15, 2016 for tax years 2016-2021. The revenue is collected by the County and disbursed through Jefferson Township to the Library Association.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2018

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Library Association 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.

Commercial Insurance

The Library Association has obtained commercial insurance for the following risks

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library Association'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. OPERS members contributed \$21,439.16, 10%, of their gross salaries and the Library Association contributed an amount equaling \$30,014.66, 14%, of participants' gross salaries. The Library Association has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Andover Bank Promissory Note	\$172,406	3.875%
Henderson Foundation Loan	\$25,000	0%
Total	<u>\$197,406</u>	

On November 5, 2018, the Library Association issued a \$174,425 promissory note to Andover Bank to finance a new HVAC system for the Library Association.

Henderson Memorial Public Library Association

Ashtabula County

Notes to the Financial Statements

For the Year Ended December 31, 2018

On November 5, 2018, the Henderson Foundation allocated a \$25,000 interest free loan to the Library Association to be paid back over a period of 5 years beginning in 2019.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Andover Bank Promissory Note	Henderson Foundation Loan
2019	\$21,128	\$5,000
2020	21,128	5,000
2021	21,128	5,000
2022	21,128	5,000
2023	21,128	5,000
2024-2028	105,640	
Total	<u>\$211,280</u>	<u>\$25,000</u>

OHIO AUDITOR OF STATE KEITH FABER



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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 cash balances, receipts, and disbursements by fund type of the Henderson Memorial Public Library Association, Ashtabula County, (the Library Association) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 20, 2020, wherein we noted the Library Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library Association's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library Association'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 Association'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 Association'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 Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library Association's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 20, 2020

OHIO AUDITOR OF STATE KEITH FABER



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
JUNE 2, 2020**