



**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Herrick Memorial Library
Lorain County
101 Willard Memorial Square
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Herrick Memorial Library, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Herrick Memorial Library, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2009, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

January 21, 2009

Herrick Memorial Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

This discussion and analysis of the Herrick Memorial Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and December 31, 2006, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net Assets of governmental activities increased by \$560,910, or 94% from 2006. This increase was due to the receipt of \$550,631 in bond retirement funds to the Library from Wellington Township. These property tax monies were left over from retiring the Library's 1984 building renovation bond issue. The money was deposited into the Library's Building & Repair fund.

The library passed a 0.75 mill operating levy on May 8, 2007. The levy will generate \$175,000 annually for 5 years. This is the first property tax levy placed on the ballot by the Township of Wellington on behalf of the Library. The first collection of the levy proceeds will be in calendar year 2008.

The Children's Librarian secured a grant from the Stocker Foundation to fund the Summer Reading program for 2007 in the amount of \$3,764. A grant from the Stocker Foundation for the 2008 Summer Reading program was received in December 2007 in the amount of \$5,180.

The Board of Trustees entered into a Facility Management contract with Simplified Industrial Systems in December 2007.

HB 119 extended the freeze on LLGSF distributions through calendar year 2007 and implemented a new funding mechanism for calendar year 2008.

Key highlights for 2006 are as follows:

Net Assets of governmental activities increased \$44,403, or 8 % from the prior year.

The Library's general receipts are primarily Library and Local Government Support Funds (LLGSF). These receipts represent 87.8 percent of the total cash received for governmental activities during the year. Local Government Support funds were reduced by 1.5% in 2006. The loss of LLGSF funding continues to be a concern for the library as this is the Library's main source of revenue.

Discretionary budget line items such as books, periodicals and audio budgets were reduced for 2006 in order to offset the increases in health insurance premiums and OPERS contributions.

Several building repairs were necessary in 2006. The building repairs were paid from the Building & Repair fund.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

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Management's Discussion and Analysis
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Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Governmental of the Library at year end. The statement of activities compares cash disbursements with program receipts for each Governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Library reports all services provided as Governmental Activities. LLGSF finance most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that

Herrick Memorial Library
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is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are split into three categories: Governmental, proprietary and fiduciary.

Governmental Funds - Most of the Library's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the Library's Governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major Governmental funds are the General Fund and Building and Repair Fund. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the entity-wide statements.

Proprietary Funds – When the Library charged customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Library has no Enterprise funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the Library-wide financial statements because the resources of these funds are not available to support the Library's programs. The Library has no fiduciary funds at December 31, 2007 and December 31, 2006.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 and 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$1,159,245	\$598,335	\$553,932
Total Assets	1,159,245	598,335	553,932
Net Assets			
Restricted for:			
Capital Projects	906,721	332,850	305,232
Other Purposes	50,871	48,672	48,219
Unrestricted	201,653	216,813	200,481
Total Net Assets	\$1,159,245	\$598,335	\$553,932

Net assets of governmental activities increased \$560,910 or 94% percent during 2007 and \$44,403 or 8% percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Receipt of \$550,631 in Bond Retirement monies from Wellington Township in 2007.
- Interest rates have been climbing, accounting for an increase in interest income in 2006 and 2007.
- Expenditures have been held at 2005 and 2006 levels.

Table 2 reflects the changes in net assets on a modified cash basis in 2007, 2006 and 2005 for governmental activities.

Herrick Memorial Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$14,633	\$14,822	\$15,581
Total Program Receipts	<u>14,633</u>	<u>14,822</u>	<u>15,581</u>
General Receipts:			
Unrestricted Gifts and Contributions	20,576	14,787	10,141
Grants and Entitlements Not Restricted to Specific Programs	398,864	406,882	412,821
Property Taxes	550,631	0	0
Earnings on Investments	32,122	26,617	16,690
Miscellaneous	530	329	845
Total General Receipts	<u>1,002,723</u>	<u>448,615</u>	<u>440,497</u>
Total Receipts	<u>1,017,356</u>	<u>463,437</u>	<u>456,078</u>
Disbursements:			
Library Services	440,141	408,712	411,999
Capital Outlay	16,305	10,322	3,667
Total Disbursements	<u>456,446</u>	<u>419,034</u>	<u>415,666</u>
Increase in Net Assets	560,910	44,403	40,412
Net Assets, Beginning of Year	598,335	553,932	513,520
Net Assets, End of Year	<u>\$1,159,245</u>	<u>\$598,335</u>	<u>\$553,932</u>

Program receipts are comprised of library fines, fees for lost materials and fees for use of the copier and represent 1.4% of the total receipts in 2007 and 3.2% of total receipts in 2006. A minimal change was reflected from 2005 to 2006 and from 2006 to 2007.

General receipts represent the majority of the Library's total receipts. LLGSF receipts accounted for over 91% of the library's revenue in 2006, but only 40% in 2007; this is because the library received \$550,631 in excess property taxes for bond retirement from Wellington Township in 2007. Interest earnings and contributions and donations make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

LLGSF funds reflect a 2% decrease from 2006 to 2007 due to the funding freeze by the State. An increase in Contributions and Donations from 2006 to 2007 is due to grants received for the Children's programs. The increase in Interest Revenue in 2007 is a result of the Library's investment of the bond retirement proceeds received from Wellington Township.

Disbursements for Library Services represent the overhead costs of running the Library (salaries, benefits, utilities, etc.) and the materials provided to patrons. These include the costs of books, periodicals, audio and video materials, etc. Capital outlay represents the cost of repairs and equipment. Capital Outlay accounts for 3.5 percent of expenditures for 2007 and 2.5% of expenditures for 2006.

Total expenditures increased 8.9% in 2007 over 2006 due to increases in salaries, health insurance premiums, retirement percentage increase and repairs to the library's roof.

Herrick Memorial Library
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

Governmental Activities

If you look at the Statement of Activities for the Library, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for Governmental activities are for Library Services, which account for 98% of all Governmental disbursements in 2007 and 96% in 2006. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service cash such as copier charges and library fees and fines. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local funds. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities					
	Total Cost	Net Cost	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services	Of Services	Of Services
	2007	2007	2006	2006	2005	2005
Library Services	\$440,141	(\$425,508)	\$408,712	(\$393,890)	\$411,999	(\$396,418)
Capital Outlay	16,305	(16,305)	10,322	(10,322)	3,667	(3,667)
Total Expenses	<u>\$456,446</u>	<u>(\$441,813)</u>	<u>\$419,034</u>	<u>(\$404,212)</u>	<u>\$415,666</u>	<u>(\$400,085)</u>

The dependence upon LLGSF receipts is apparent as over 97 percent of Governmental activities are supported through these general receipts in 2007 and 2006.

The Library's Funds

Total Governmental funds had receipts of \$1,030,356 and disbursements of \$469,446 in 2007, receipts of \$483,437 and disbursements of \$439,034 in 2006, and receipts of \$456,078 and disbursements of \$415,666 in 2005. In 2006, the greatest change within the Governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$11,729 in 2006 as a result of reducing discretionary line items of the budget. In 2007, the greatest change within Governmental funds occurred within the Building & Repair Fund as a result of the excess property tax monies received from the Township.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements in the General Fund for 2006 were budgeted at \$450,000, while actual disbursements were \$414,034. Appropriations were held at the 2005 levels. The Library kept spending below the budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$11,729 for 2006.

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During 2007, the Library amended its General Fund budget several times to reflect changing circumstances. See Highlights on page 1. Final budgeted receipts were above original budgeted receipts due to expected increases in Contributions and Donations and an expected increase in Interest income.

Final disbursements in the General Fund for 2007 were budgeted at \$456,301 while actual disbursements were \$445,224. The Library kept spending below the budgeted amounts as demonstrated by the reported variances. The Library had an decrease in fund balance of \$15,161 for 2007.

Capital Assets

Capital Assets

The Library is in the process of updating their capital assets. Limitations in staff scheduling may delay the completion of this project.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and shrinking, funding. We were fortunate to pass a tax levy in 2007 that will provide the library with additional funding for the years 2008 through 2012. However, with the change to the LLGSF funding formula, the library must maintain diligence in forecasting measures to ensure the library is maintaining spending levels within its limits.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Bement, Clerk-Treasurer, Herrick Memorial Library, 101 Willard Memorial Square, Wellington, Ohio 44090.

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,159,245
<i>Total Assets</i>	<u>\$1,159,245</u>
Net Assets	
Restricted for:	
Capital Projects	\$906,721
Other Purposes	50,871
Unrestricted	201,653
<i>Total Net Assets</i>	<u>\$1,159,245</u>

See accompanying notes to the basic financial statements.

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services	\$440,141	\$14,633	(\$425,508)
Capital Outlay	16,305		(16,305)
<i>Total Governmental Activities</i>	<u>\$456,446</u>	<u>\$14,633</u>	<u>(\$441,813)</u>
		General Receipts	
		Unrestricted Gifts and Contributions	20,576
		Grants and Entitlements not Restricted to Specific Programs	398,864
		Earnings on Investments	32,122
		Property Taxes	550,631
		Miscellaneous	530
		<i>Total General Receipts</i>	1,002,723
		Change in Net Assets	560,910
		<i>Net Assets Beginning of Year</i>	598,335
		<i>Net Assets End of Year</i>	<u>\$1,159,245</u>

See accompanying notes to the basic financial statements.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007*

	<u>General</u>	<u>Building and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$197,049	\$909,422	\$52,774	\$1,159,245
<i>Total Assets</i>	<u>\$197,049</u>	<u>\$909,422</u>	<u>\$52,774</u>	<u>\$1,159,245</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$197,049			\$197,049
Special Revenue Funds			\$52,774	52,774
Capital Projects Funds		\$909,422		909,422
<i>Total Fund Balances</i>	<u>\$197,049</u>	<u>\$909,422</u>	<u>\$52,774</u>	<u>\$1,159,245</u>

See accompanying notes to the basic financial statements.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2007

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Library and Local Government Support	\$398,864			\$398,864
Patron Fines and Fees	14,633			14,633
Contributions, Gifts and Donations	20,576			20,576
Earnings on Investments	8,460	\$21,462	\$2,200	32,122
Miscellaneous	530			530
<i>Total Receipts</i>	<u>443,063</u>	<u>21,462</u>	<u>2,200</u>	<u>466,725</u>
Disbursements				
Current:				
Library Services	440,141			440,141
Capital Outlay	5,083	11,222		16,305
<i>Total Disbursements</i>	<u>445,224</u>	<u>11,222</u>	<u>0</u>	<u>456,446</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,161)</u>	<u>10,240</u>	<u>2,200</u>	<u>10,279</u>
Other Financing Sources (Uses)				
Property Taxes		550,631		550,631
Transfers In		13,000		13,000
Transfers Out	(13,000)			(13,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(13,000)</u>	<u>563,631</u>	<u>0</u>	<u>550,631</u>
<i>Net Change in Fund Balances</i>	(15,161)	573,871	2,200	560,910
<i>Fund Balances Beginning of Year</i>	<u>212,210</u>	<u>335,551</u>	<u>50,574</u>	<u>598,335</u>
<i>Fund Balances End of Year</i>	<u>\$197,049</u>	<u>\$909,422</u>	<u>\$52,774</u>	<u>\$1,159,245</u>

See accompanying notes to the basic financial statements.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund*

For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Library and Local Government Support	\$399,465	\$399,465	\$398,864	(\$601)
Patron Fines and Fees	16,000	16,000	14,633	(1,367)
Contributions, Gifts and Donations	14,040	19,220	20,576	1,356
Earnings on Investments	3,000	9,000	8,460	(540)
Miscellaneous	500	400	530	130
<i>Total receipts</i>	<u>433,005</u>	<u>444,085</u>	<u>443,063</u>	<u>(1,022)</u>
Disbursements				
Current:				
Library Services	448,000	451,216	440,141	11,075
Capital Outlay	2,000	5,085	5,083	2
<i>Total Disbursements</i>	<u>450,000</u>	<u>456,301</u>	<u>445,224</u>	<u>11,077</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,995)</u>	<u>(12,216)</u>	<u>(2,161)</u>	<u>10,055</u>
Other Financing Sources (Uses)				
Transfers Out	-	(13,000)	(13,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(13,000)</u>	<u>(13,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(16,995)	(25,216)	(15,161)	10,055
<i>Fund Balance Beginning of Year</i>	212,210	212,210	212,210	-
Prior Year Encumbrances Appropriated	6,743	6,743	6,743	-
<i>Fund Balance End of Year</i>	<u>201,958</u>	<u>193,737</u>	<u>203,792</u>	<u>10,055</u>

See accompanying notes to the basic financial statements.

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$598,335
<i>Total Assets</i>	<u>\$598,335</u>
Net Assets	
Restricted for:	
Capital Projects	\$332,850
Other Purposes	48,672
Unrestricted	<u>216,813</u>
<i>Total Net Assets</i>	<u>\$598,335</u>

See accompanying notes to the basic financial statements.

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services	\$408,712	\$14,822	(\$393,890)
Capital Outlay	10,322		(10,322)
<i>Total Governmental Activities</i>	<u>\$419,034</u>	<u>\$14,822</u>	<u>(\$404,212)</u>
		General Receipts	
		Unrestricted Gifts and Contributions	14,787
		Grants and Entitlements not Restricted to Specific Programs	406,882
		Earnings on Investments	26,617
		Miscellaneous	329
		<i>Total General Receipts</i>	448,615
		Change in Net Assets	44,403
		<i>Net Assets Beginning of Year</i>	553,932
		<i>Net Assets End of Year</i>	<u>\$598,335</u>

HERRICK MEMORIAL LIBRARY
LORAIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Building and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$212,210	\$335,551	\$50,574	\$598,335
<i>Total Assets</i>	<u>\$212,210</u>	<u>\$335,551</u>	<u>\$50,574</u>	<u>\$598,335</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$6,743			\$6,743
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	205,467			205,467
Special Revenue Funds			\$50,574	50,574
Capital Projects Funds		\$335,551		335,551
<i>Total Fund Balances</i>	<u>\$212,210</u>	<u>\$335,551</u>	<u>\$50,574</u>	<u>\$598,335</u>

See accompanying notes to the basic financial statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Library and Local Government Support	\$406,882			\$406,882
Patron Fines and Fees	14,822			14,822
Contributions, Gifts and Donations	14,787			14,787
Earnings on Investments	8,943	\$15,319	\$2,355	26,617
Miscellaneous	329			329
<i>Total Receipts</i>	<u>445,763</u>	<u>15,319</u>	<u>2,355</u>	<u>463,437</u>
Disbursements				
Current:				
Library Services	408,712			408,712
Capital Outlay	5,322	5,000		10,322
<i>Total Disbursements</i>	<u>414,034</u>	<u>5,000</u>	<u>0</u>	<u>419,034</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,729</u>	<u>10,319</u>	<u>2,355</u>	<u>44,403</u>
Other Financing Sources (Uses)				
Transfers In		20,000		20,000
Transfers Out	(20,000)			(20,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>20,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	11,729	30,319	2,355	44,403
<i>Fund Balances Beginning of Year</i>	<u>200,481</u>	<u>305,232</u>	<u>48,219</u>	<u>553,932</u>
<i>Fund Balances End of Year</i>	<u>\$212,210</u>	<u>\$335,551</u>	<u>\$50,574</u>	<u>\$598,335</u>

See accompanying notes to the basic financial statements.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund*

For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts				
Library and Local Government Support	\$406,882	\$406,882	\$406,882	\$0
Patron Fines and Fees	16,000	16,000	14,822	(1,178)
Contributions, Gifts and Donations	14,040	14,040	14,787	747
Earnings on Investments	3,000	3,000	8,943	5,943
Miscellaneous	500	500	329	(171)
<i>Total receipts</i>	<u>440,422</u>	<u>440,422</u>	<u>445,763</u>	<u>5,341</u>
Disbursements				
Current:				
Library Services:	448,000	444,672	408,712	35,960
Capital Outlay	2,000	5,328	5,322	6
<i>Total Disbursements</i>	<u>450,000</u>	<u>450,000</u>	<u>414,034</u>	<u>35,966</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,578)</u>	<u>(9,578)</u>	<u>31,729</u>	<u>41,307</u>
Other Financing Sources (Uses)				
Transfers Out	<u> </u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(9,578)	(29,578)	11,729	41,307
<i>Fund Balance Beginning of Year</i>	200,481	200,481	200,481	0
Prior Year Encumbrances Appropriated	<u>4,105</u>	<u>4,105</u>	<u>4,105</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$195,008</u>	<u>\$175,008</u>	<u>\$216,315</u>	<u>\$41,307</u>

See accompanying notes to the basic financial statements.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 – Description of the Library and Reporting Entity

The Herrick Memorial Library was organized in Lorain County under the laws of the State of Ohio. The Library has its own Board of Trustees of three members who are appointed by the Wellington Township Trustees. Appointments are for six-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Township, although the Township serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Township must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Township.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of Wellington Township.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Herrick Memorial Library is a not-for-profit organization established under section 501 (c)(3) of the Internal revenue Code with a self-appointing board. The Friends organization was developed by community members who support the Library through fund-raising activities. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Library received \$14,293 in financial contributions from the Friends during the period January 1, 2006 through December 31, 2007. Total cash assets (unaudited) of the Friends of Herrick Memorial Library at September 30, 2007 amounted to \$9,843. The Friends Treasurer’s Report (unaudited) can be obtained from Julie Bragg, Treasurer. The resources held by the organization are not significant to the Library and therefore, this organization has been excluded from the reporting entity of the Library.

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

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Herrick Memorial Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The Library 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 Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building and Repair Fund – The building and repair fund accounts for monies set aside by the Board for the purpose of repairing, improving, furnishing and equipping the existing Library.

The other governmental funds of the Library account for other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and function code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

For control purposes, the Library estimates revenues to be received during that year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in receipts are identified by the Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007 and 2006, investments were limited to a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by Farmer's Savings.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds during 2007 amounted to \$32,122 and \$26,617 in 2006.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for building repairs and improvements and various purposes indicated by donors.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

The amount restricted by enabling legislation at December 31, 2007 and December 31, 2006, was \$957,592 and \$381,522 respectively.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end December 31, 2006 (budgetary basis) amounted to \$6,743 for the general fund. There were no encumbrances outstanding at year end December 31, 2007.

Note 4 - Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 4 - Deposits and Investments (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end December 31, 2007, and December 31, 2006 respectively, \$126,530 and \$178,194 the Library's bank balances of \$372,660 and \$378,194 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 4 - Deposits and Investments (Continued)

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007 and December 31, 2006, the Library had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>
December 31, 2007		
Common Stock	\$3,641	\$149,309
STAR Ohio	782,945	N/A
Total Investments	<u>\$786,586</u>	
December 31, 2006		
Common Stock	<u>\$3,641</u>	\$128,138
STAR Ohio	<u>216,501</u>	N/A
	<u>\$220,142</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The common stock carries ratings of "B" and "A-" by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 4 - Deposits and Investments (Continued)

The Library places no limit on the amount it may invest in any one issuer. The following is the Library's allocation as of December 31, 2007.

<u>Investment</u>	<u>Percentage of Investments</u>
Common Stock	0.5%
STAR Ohio	99.5%

Note 5 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2007, the Library has obtained commercial insurance for the following risks:

- Commercial Property
- General Liability
- Inland Marine
- Vehicle
- Errors & Omissions
- Library Officials, and
- Fidelity & Deposit

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library also participates in the Ohio Library Council Workers' Compensation Group Rating Program. The Frank Gates Company represents the Library in all Workers' Compensation matters.

Note 6 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 6 - Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

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

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$31,971, \$30,949, and \$20,819 respectively; the full amount has been contributed for 2007, 2006, and 2005.

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 and 2006 local government employer contribution rate was 13.85 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care. The portion of employer contributions allocated to health care was 5 percent from January 1 to June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 0.5 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$9,234, \$8,938 and \$8,720, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2007
(Continued)**

Note 7 - Postemployment Benefits (Continued)

The actual contribution and the actuarial required contribution amounts are the same.

The amount of \$12.00 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006 (the latest information available), reported the actuarial accrued liability and the unfunded actuarially accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 8 - Property Tax

The Library posted one-time property tax revenue in 2007. This was received from the Wellington Township which paid the bond retirement on the Library board fund for building expansion and were the remaining funds.

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Mary Taylor, CPA

Auditor of State

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

Herrick Memorial Library
Lorain County
101 Willard Memorial Square
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Herrick Memorial Library, Lorain County, (the Library) as of and for the years ended December 31, 2006 and December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 21, 2009. We noted 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. 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 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 21, 2009



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Auditor of State

HERRICK MEMORIAL LIBRARY

LORAIN 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
FEBRUARY 12, 2009**