

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

JOE SIEKERES, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Herrick Memorial Library
101 Willard Memorial Square
Wellington, Ohio 44090

We have reviewed the *Independent Auditor's Report* of the Herrick Memorial Library, Lorain County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 1, 2014

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**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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Julian & Grube, Inc.
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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Herrick Memorial Library, Lorain County, Ohio, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Herrick Memorial Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 Herrick Memorial Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Herrick Memorial Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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 the Herrick Memorial Library, Lorain County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As described in Note 3, during 2012, the Herrick Memorial Library adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Herrick Memorial Library's financial statements that collectively comprise its basic financial statements.

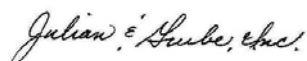
Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements, except for 2011. We subjected these tables, except for 2011, to the auditing procedures we applied to the basic financial statements. Except for 2011, we also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables, except for 2011, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the 2013 and 2012 tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, on our consideration of the Herrick Memorial Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Herrick Memorial Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 6, 2014

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

This management's 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, 2013 and December 31, 2012, 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 2013 are as follows:

- Net Position of governmental activities decreased \$129,632 or 10%.
- The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent 87% of the total cash received during the year. Property taxes and grants and entitlements not restricted to specific programs receipts, (primarily the Public Library Fund "PLF") for 2013 increased by \$5,416, or 2%, compared to 2012 due to reductions in the PLF state tax revenues and increased collections of property taxes.

Key highlights for 2012 are as follows:

- Net Position of governmental activities increased \$55,164 or 4%.
- The Library's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent 77% of the total cash received during the year. Property taxes and grants and entitlements not restricted to specific programs receipts, (primarily the Public Library Fund "PLF") for 2012 decreased by \$32,677, or 11%, compared to 2011 due to reductions in the PLF state tax revenues and increased collections of property taxes.

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.

Report Components

The statement of net position 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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

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 position and the statement of activities reflect how the Library did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position 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 reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position 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 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.

**HERRICK MEMORIAL LIBRARY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

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, 2013 and December 31, 2012.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2013, 2012 and 2011 on a cash basis:

	Net Position		
	Governmental Activities	Governmental Activities	Governmental Activities
	2013	2012	2011
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,216,920	\$ 1,346,552	\$ 1,291,388
Total assets	<u>\$ 1,216,920</u>	<u>\$ 1,346,552</u>	<u>\$ 1,291,388</u>
<u>Net Position</u>			
Restricted for:			
Other Purposes	\$ 91,471	\$ 60,596	\$ 59,812
Unrestricted	<u>1,125,449</u>	<u>1,285,956</u>	<u>1,231,576</u>
Total net position	<u>\$ 1,216,920</u>	<u>\$ 1,346,552</u>	<u>\$ 1,291,388</u>

Net position of governmental activities decreased \$129,632 or 10% during 2013 and increased \$55,164 or 4% during 2012. The primary reasons contributing to the increases in cash balances in 2012 and decrease in 2013 is as follows:

- In 2012, donated stock went through an acquisition which resulted in a cash proceeds and new company stock.
- In 2013, the Library transferred its 2012 stock acquisition cash proceeds and new stock to the Lorain County Community Foundation for the Herrick Memorial Library Endowment Fund.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

Table 2 reflects the changes in net position on a cash basis in 2013, 2012 and 2011 for governmental activities.

(Table 2)
Changes in Net Position

	Governmental Activities		
	2013	2012	2011
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 10,525	\$ 10,785	\$ 11,052
Operating Grants and Contributions	20,300	-	-
Total Program Receipts	<u>30,825</u>	<u>10,785</u>	<u>11,052</u>
General Receipts:			
Property Taxes	165,493	170,399	174,910
Unrestricted Gifts and Contributions	26,064	4,968	6,263
Grants and Entitlements Not Restricted to Specific Programs	275,937	274,522	307,199
Earnings on Investments	5,057	118,295	9,039
Miscellaneous	1,592	828	337
Total General Receipts	<u>474,143</u>	<u>569,012</u>	<u>497,748</u>
Disbursements:			
Library Services	405,666	387,304	387,941
Support Services	97,816	93,606	98,337
Capital Outlay	13,953	43,723	17,701
Total Disbursements	<u>517,435</u>	<u>524,633</u>	<u>503,979</u>
Special Item	(117,165)	-	-
Change in Net Position	(129,632)	55,164	4,821
Net Position, January 1	1,346,552	1,291,388	1,286,567
Net Position, December 31	<u>\$ 1,216,920</u>	<u>\$ 1,346,552</u>	<u>\$ 1,291,388</u>

Program receipts are comprised of library fines, fees for lost materials and fees for use of the copier and represent 2% of the total receipts in 2013 and 2% of total receipts in 2012.

General receipts represent the majority of the Library's total receipts. LLGSF receipts accounted for over 55% of the library's revenue in 2013, but only 47% in 2012; this is because the library received \$108,641 in proceeds from a stock merger/sale. Property taxes and contributions and donations make up the balance of the Library's general receipts.

An increase in Contributions and Donations from 2012 to 2013 is due to grants received from Donors.

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 2 percent of expenditures for 2013 and 8% of expenditures for 2012.

**HERRICK MEMORIAL LIBRARY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)

Total expenditures increased 21% in 2013 over 2012 primarily due to the Trustees decision to donate its stock and stock proceeds to the Lorain County Community Foundation.

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 64% of all Governmental disbursements in 2013 and 74% in 2012. 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.

	Governmental Activities					
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Program Expenses:						
Library Services:						
Public Services and Programs	\$ 348,185	\$ (317,360)	\$ 332,812	\$ (322,027)	\$ 331,679	\$ (320,627)
Collection Development and Processing	57,481	(57,481)	54,492	(54,492)	56,262	(56,262)
Support Services						
Facilities Operation and Maintenance	42,660	(42,660)	39,666	(39,666)	39,866	(39,866)
Information Systems	11,917	(11,917)	9,965	(9,965)	19,800	(19,800)
Business Administration	42,007	(42,007)	43,978	(43,978)	37,671	(38,671)
Capital Outlay	13,953	(13,953)	43,723	(43,723)	17,701	(17,701)
Other	1,232	(1,232)	-	-	-	-
Total	<u>\$ 517,435</u>	<u>\$ (486,610)</u>	<u>\$ 524,636</u>	<u>\$ (513,851)</u>	<u>\$ 502,979</u>	<u>\$ (492,927)</u>

The dependence upon LLGSF receipts is apparent as over 94 and 98 percent of Governmental activities are supported through these general receipts in 2013 and 2012, respectively.

The Library's Funds

Total Governmental funds had receipts of \$447,647 and disbursements of \$589,674 in 2013 and receipts of \$555,006 and disbursements of \$458,275 in 2012. In 2012, the greatest change within the Governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$96,731 in 2012 as a result of donated stock having a sale/merger. In 2013, the greatest change within Governmental funds occurred within the General Fund as a result of the Trustees transferring the 2012 donated stock sale/merger receipts and remaining stock to the Lorain County Community Foundation.

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 2013 and 2012, final budgeted receipts were primarily the same as original budgeted receipts.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(UNAUDITED)**

Final disbursements in the General Fund for 2013 were budgeted at \$603,098, while actual disbursements were \$592,070.

Final disbursements in the General Fund for 2012 were budgeted at \$490,586 while actual disbursements were \$470,560. The Library kept spending below the budgeted amounts as demonstrated by the reported variances. The Library had an increase in fund balance of \$85,446 for 2012, primarily due to the stock sale/merger proceeds.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and PLF funding. The Library continues to closely monitor its budget and provide quality services to the community.

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 Joe Siekeres, Fiscal Officer, Herrick Memorial Library, 101 Willard Memorial Square, Wellington, Ohio 44090.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Net Position - Cash Basis
December 31, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,216,920
Total Assets	<u>\$ 1,216,920</u>
Net Position:	
Restricted for:	
Other Purposes	\$ 91,471
Unrestricted	1,125,449
Total Net Position	<u>\$ 1,216,920</u>

See Accompanying Notes to the Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Activities - Cash Basis
December 31, 2013**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Current:				
Library Services				
Public Services and Programs	\$ 348,185	\$ 10,525	\$ 20,300	\$ (317,360)
Collection Development and Processing	57,481	-	-	(57,481)
Support Services				
Facilities Operation and Maintenance	42,660	-	-	(42,660)
Information Services	11,917	-	-	(11,917)
Business Administration	42,007	-	-	(42,007)
Capital Outlay	13,953	-	-	(13,953)
Other	1,232	-	-	(1,232)
	<u>\$ 517,435</u>	<u>\$ 10,525</u>	<u>\$ 20,300</u>	<u>(486,610)</u>
Total Governmental Activities				
	<u>\$ 517,435</u>	<u>\$ 10,525</u>	<u>\$ 20,300</u>	<u>(486,610)</u>
General Receipts:				
Property Taxes				165,493
Unrestricted Gifts and Contributions				26,064
Grants and Entitlements not Restricted to Specific Programs				275,937
Earnings on Investments				5,057
Miscellaneous				1,592
Total General Receipts				474,143
Special Item				(117,165)
Change in Net Position				(129,632)
Net Position Beginning of Year				1,346,552
Net Position End of Year				\$ 1,216,920

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, 2013**

	General Fund	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 339,101	\$ 786,348	\$ 91,471	\$ 1,216,920
Total Assets	\$ 339,101	\$ 786,348	\$ 91,471	\$ 1,216,920
Fund Balances				
Restricted	\$ -	\$ -	\$ 91,471	\$ 91,471
Committed	-	786,348	-	786,348
Assigned	36,049	-	-	36,049
Unassigned	303,052	-	-	303,052
Total Fund Balances	\$ 339,101	\$ 786,348	\$ 91,471	\$ 1,216,920

See Accompanying Notes to the Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Building and Repair Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$ 146,207	\$ -	\$ -	\$ 146,207
Public Library	260,937	-	-	260,937
Intergovernmental	19,286	-	-	19,286
Patron Fines and Fees	10,525	-	-	10,525
Contributions, Gifts and Donations	4,641	-	56,723	61,364
Earnings on Investments	4,459	439	159	5,057
Miscellaneous	1,592	-	-	1,592
Total Receipts	<u>447,647</u>	<u>439</u>	<u>56,882</u>	<u>504,968</u>
Disbursements				
Current:				
Library Services				
Public Services and Programs	329,317	-	18,868	348,185
Collection Development and Processing	50,342	-	7,139	57,481
Support Services				
Facilities Operation and Maintenance	35,181	7,479	-	42,660
Information Services	11,917	-	-	11,917
Business Administration	42,007	-	-	42,007
Capital Outlay	2,483	11,470	-	13,953
Total Disbursements	<u>471,247</u>	<u>18,949</u>	<u>26,007</u>	<u>516,203</u>
Excess of Receipts Over (Under) Disbursements	<u>(23,600)</u>	<u>(18,510)</u>	<u>30,875</u>	<u>(11,235)</u>
Other Financing Sources (Uses)				
Other Financing Uses	(1,232)	-	-	(1,232)
Total Other Financing Sources (Uses)	<u>(1,232)</u>	<u>-</u>	<u>-</u>	<u>(1,232)</u>
Special Item				
Special Item - See Note 12	<u>(117,165)</u>	<u>-</u>	<u>-</u>	<u>(117,165)</u>
Net Change in Fund Balances	(141,997)	(18,510)	30,875	(129,632)
Fund Balance at Beginning of Year	481,098	804,858	60,596	1,346,552
Fund Balance at End of Year	<u>\$ 339,101</u>	<u>\$ 786,348</u>	<u>\$ 91,471</u>	<u>\$ 1,216,920</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts:				
Property and Other Local Taxes	\$ 154,067	\$ 154,067	\$ 146,207	\$ (7,860)
Public Library	262,753	262,753	260,937	(1,816)
Intergovernmental	26,700	26,700	19,286	(7,414)
Patron Fines and Fees	11,274	11,274	10,525	(749)
Contributions, Gifts and Donations	4,632	4,632	4,641	9
Earnings on Investments	4,000	4,000	4,459	459
Miscellaneous	-	-	1,592	1,592
Total Receipts	<u>463,426</u>	<u>463,426</u>	<u>447,647</u>	<u>(15,779)</u>
Disbursements:				
Current:				
Library Services:				
Public Services and Programs	323,654	323,665	320,234	3,431
Collection Development and Processing	56,420	54,770	52,995	1,775
Support Services:				
Facilities Operation and Maintenance	37,986	37,879	35,181	2,698
Information Services	12,000	11,963	11,917	46
Business Administration	43,046	45,903	43,013	2,890
Capital Outlay	1,000	2,500	2,483	17
Total Disbursements	<u>474,106</u>	<u>476,680</u>	<u>465,823</u>	<u>10,857</u>
Excess of Receipts Over (Under) Disbursements	<u>(10,680)</u>	<u>(13,254)</u>	<u>(18,176)</u>	<u>(4,922)</u>
Other Financing Sources (Uses):				
Transfers Out	(11,250)	(7,911)	(7,850)	61
Other Financing Uses	(6,395)	(118,507)	(118,397)	110
Total Other Financing Sources (Uses)	<u>(17,645)</u>	<u>(126,418)</u>	<u>(126,247)</u>	<u>171</u>
Net Change in Fund Balance	(28,325)	(139,672)	(144,423)	(4,751)
Unencumbered Fund Balance Beginning of Year	466,769	466,769	466,769	-
Prior Year Encumbrances Appropriated	9,438	9,438	9,438	-
Unencumbered Balance End of Year	<u>\$ 447,882</u>	<u>\$ 336,535</u>	<u>\$ 331,784</u>	<u>\$ (4,751)</u>

See Accompanying Notes to Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Net Position - Cash Basis
December 31, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,346,552
Total Assets	<u>\$ 1,346,552</u>
Net Position:	
Restricted for:	
Other Purposes	\$ 60,596
Unrestricted	<u>1,285,956</u>
Total Net Position	<u>\$ 1,346,552</u>

See Accompanying Notes to the Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Activities - Cash Basis
December 31, 2012**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash</u> <u>Receipts</u>	<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Assets</u>
		<u>Charges for</u> <u>Services and Sales</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:			
Current:			
Public Services and Programs	\$ 332,812	\$ 10,785	\$ (322,027)
Collection Development and Processing	54,492	-	(54,492)
Support Services			
Facilities Operation and Maintenance	39,667	-	(39,667)
Information Services	9,965	-	(9,965)
Business Administration	43,974	-	(43,974)
Capital Outlay	<u>43,723</u>	<u>-</u>	<u>(43,723)</u>
Total Governmental Activities	<u>\$ 524,633</u>	<u>\$ 10,785</u>	<u>(513,848)</u>
General Receipts:			
Property Taxes			170,399
Unrestricted Gifts and Contributions			4,968
Grants and Entitlements not Restricted to Specific Programs			274,522
Earnings on Investments			118,295
Miscellaneous			<u>828</u>
Total General Receipts			<u>569,012</u>
Change in Net Position			55,164
Net Position Beginning of Year			<u>1,291,388</u>
Net Position End of Year			<u>\$ 1,346,552</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, 2012**

	General Fund	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 481,098	\$ 804,858	\$ 60,596	\$ 1,346,552
Total Assets	\$ 481,098	\$ 804,858	\$ 60,596	\$ 1,346,552
Fund Balances				
Restricted	\$ -	\$ -	\$ 60,596	\$ 60,596
Committed	-	804,858	-	804,858
Assigned	37,759	-	-	37,759
Unassigned	443,339	-	-	443,339
Total Fund Balances	\$ 481,098	\$ 804,858	\$ 60,596	\$ 1,346,552

See Accompanying Notes to the Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

**Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012**

	<u>General Fund</u>	<u>Building and Repair Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and Other Local Taxes	\$ 148,550	\$ -	\$ -	\$ 148,550
Public Library	255,522	-	-	255,522
Intergovernmental	21,849	-	4,000	25,849
Patron Fines and Fees	10,785	-	-	10,785
Contributions, Gifts and Donations	4,233	-	15,000	19,233
Earnings on Investments	113,239	4,757	735	118,731
Miscellaneous	828	-	299	1,127
Total Receipts	<u>555,006</u>	<u>4,757</u>	<u>20,034</u>	<u>579,797</u>
Disbursements				
Current:				
Library Services				
Public Services and Programs	313,463	-	19,349	332,812
Collection Development and Processing	54,192	-	301	54,493
Support Services				
Facilities Operation and Maintenance	35,393	4,273	-	39,666
Information Services	9,965	-	-	9,965
Business Administration	43,978	-	-	43,978
Capital Outlay	884	42,839	-	43,723
Total Disbursements	<u>457,875</u>	<u>47,112</u>	<u>19,650</u>	<u>524,637</u>
Excess of Receipts Over (Under) Disbursements	<u>97,131</u>	<u>(42,355)</u>	<u>384</u>	<u>55,160</u>
Other Financing Sources (Uses)				
Transfers In	-	-	400	400
Transfers Out	(400)	-	-	(400)
Total Other Financing Sources (Uses)	<u>(400)</u>	<u>-</u>	<u>400</u>	<u>-</u>
Net Change in Fund Balances	96,731	(42,355)	784	55,160
Fund Balance at Beginning of Year	<u>384,367</u>	<u>847,213</u>	<u>59,812</u>	<u>1,291,392</u>
Fund Balance at End of Year	<u>\$ 481,098</u>	<u>\$ 804,858</u>	<u>\$ 60,596</u>	<u>\$ 1,346,552</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts:				
Property and Other Local Taxes	\$ 153,300	\$ 154,067	\$ 148,550	\$ (5,517)
Public Library	255,522	255,522	255,522	-
Intergovernmental	26,700	26,700	21,849	(4,851)
Patron Fines and Fees	11,400	12,751	10,785	(1,966)
Contributions, Gifts and Donations	4,600	4,794	4,233	(561)
Earnings on Investments	4,500	5,152	113,239	108,087
Miscellaneous	-	-	828	828
Total Receipts	<u>456,022</u>	<u>458,986</u>	<u>555,006</u>	<u>96,020</u>
Disbursements:				
Current:				
Library Services:				
Public Services and Programs	320,221	318,359	310,805	7,554
Collection Development and Processing	58,071	58,683	56,598	2,085
Support Services:				
Facilities Operation and Maintenance	36,910	39,324	36,828	2,496
Information Services	14,500	14,500	9,965	4,535
Business Administration	50,384	47,581	44,230	3,351
Capital Outlay	3,500	889	884	5
Total Disbursements	<u>483,586</u>	<u>479,336</u>	<u>459,310</u>	<u>20,026</u>
Excess of Receipts Over (Under) Disbursements	<u>(27,564)</u>	<u>(20,350)</u>	<u>95,696</u>	<u>116,046</u>
Other Financing Sources (Uses):				
Transfers Out	(7,000)	(11,250)	(11,250)	-
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>(11,250)</u>	<u>(11,250)</u>	<u>-</u>
Net Change in Fund Balance	(34,564)	(31,600)	84,446	116,046
Unencumbered Cash Balance Beginning of Year	377,449	377,449	377,449	-
Prior Year Encumbrances Appropriated	4,875	4,875	4,875	-
Unencumbered Cash Balance End of Year	<u>\$ 347,759</u>	<u>\$ 350,723</u>	<u>\$ 466,769</u>	<u>\$ 116,046</u>

See Accompanying Notes to Basic Financial Statements

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Herrick Memorial Library (the "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 Fiscal Officer.

The Library is fiscally independent of Wellington Township (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. 61 of the Governmental Accounting Standards Board, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", 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 \$16,600 in financial contributions from the Friends during the period January 1, 2012 through December 31, 2013. Total cash assets (unaudited) of the Friends of Herrick Memorial Library at October 31, 2013 amounted to \$6,810. The Friends Treasurer's Report (unaudited) can be obtained from Julie Bragg, Treasurer at 101 Willard Memorial Square, Wellington, Ohio 44090. 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 BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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. 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 position 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 position presents the cash balances. 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. 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.

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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds - Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), 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 and reports all financial resources not accounted for and reported 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 and reports resources committed by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned 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 liabilities and the related expenses) 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, function and object 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.

For control purposes, the Library estimates cash receipts for the 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 receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. 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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Library records identify the purchase of specific investments by specific funds.

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, respectively.

During 2013 and 2012, 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 on December 31, 2013 and 2012, and Edward James on December 31, 2012.

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, 2013 and 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2013 and 2012 amounted to \$4,459 and \$113,239, respectively.

F. Restricted Assets

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

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library 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 contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

J. 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 modified cash basis of accounting.

K. 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.

L. Net Position

Net position is 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 position 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 position is available.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. See Note 12 for further information on the 2013 special item.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2012, the Library has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", GASB Statement No. 59, "Financial Instruments Omnibus", GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Library.

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Library.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Library.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 did not have an effect on the financial statements of the Library.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had no effect on the financial statements of the Library at December 31, 2011.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

For fiscal year 2013, the Library has implemented GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34" and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Library.

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements". The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Library.

NOTE 4 - 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 - Budgetary 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 restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at 2013 and 2012 year end (budgetary basis) amounted to \$3,713 and \$9,438 for the general fund, respectively.

NOTE 5 - 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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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 two 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; and,
7. The State Treasurer's investment pool (STAR Ohio).

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. 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 clerk/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 December 31, 2013, \$5,430 of the Library's bank balance of \$1,188,582 was 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 BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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 December 31, 2012, \$0 of the Library's bank balance of \$1,315,827 was exposed to custodial credit risk.

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, 2013, the Library had the following investments:

	Carrying Value	Market Value	Maturity 6 months or less
STAR Ohio	\$ 31,319	\$ 31,319	\$ 31,319
Total Portfolio	<u>\$ 31,319</u>	<u>\$ 31,319</u>	<u>\$ 31,319</u>

As of December 31, 2012, the Library had the following investments:

	Carrying Value	Market Value	Maturity 6 months or less
Common Stock	\$ -	\$ 117,516	N/A
STAR Ohio	31,307	31,307	\$ 31,307
Total Portfolio	<u>\$ 31,307</u>	<u>\$ 148,823</u>	<u>\$ 31,307</u>

Interest Rate Risk - 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 the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk - STAR Ohio carries a rating of AAAM by Standard and Poor's. The common stock carries a rating of A-/A-2 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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk - 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 in a certificate, payment shall be made only upon receipt or confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2013 and 2012:

Investment	2013 Percentage of Investment	Investment	2012 Percentage of Investment
STAR Ohio	100%	STAR Ohio	100%

NOTE 6 - 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 2013 and 2012, the Library has obtained commercial insurance for the following risks:

Company	Type of Coverage	Coverage
Schlather Insurance Agency, Inc.	General Aggregate Limit (Other Than Products/Completed Operations)	\$ 3,000,000
	Products/Completed Operations Aggregate Limit	1,000,000
	Personal & Advertising Injury Limit (Per Person or Organization)	1,000,000
	Each Occurrence Limit	1,000,000
	Damage to Premises Rented to You Limit (Any One Premises)	100,000
	Medical Expense Limit (Any One Person)	5,000
	Public Employee Dishonesty - Per Loss	25,000

Settled claims have not exceeded this 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.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2013 and 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013 and 2012, member and employer contribution rates were consistent across all three plans.

The Library contribution rate for pension benefits for members in the Traditional Plan for 2013 was 13.00% and for 2012 and 2011 was 10%. The Library's required contributions for pension obligations to the Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$32,174, 24,803 and \$23,613, respectively.

NOTE 8- POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

Plan Description -Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614222-5601 or 800-222-7377.

Funding Policy -The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1 percent for 2013 and 4 percent for 2012 and 2011.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were approximately \$2,475, \$9,921, and \$9,445, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for the year ended December 31, 2013:

Fund balance	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Maintenance and Repairs	\$ -	\$ 786,348	\$ -	\$ 786,348
Materials	-	-	91,471	91,471
Total restricted	<u>-</u>	<u>786,348</u>	<u>91,471</u>	<u>877,819</u>
Assigned:				
Reserve for Encumbrances	3,713	-	-	3,713
Subsequent Year Appropriations	<u>32,336</u>	<u>-</u>	<u>-</u>	<u>32,336</u>
Total assigned	<u>36,049</u>	<u>-</u>	<u>-</u>	<u>36,049</u>
Unassigned (deficit)	<u>303,052</u>	<u>-</u>	<u>-</u>	<u>303,052</u>
Total fund balances	<u>\$ 339,101</u>	<u>\$ 786,348</u>	<u>\$ 91,471</u>	<u>\$ 1,216,920</u>

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 - FUND BALANCES - (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for the year ended December 31, 2012:

Fund balance	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Restricted:				
Maintenance and Repairs	\$ -	\$ 804,858	\$ -	\$ 804,858
Materials	-	-	60,596	60,596
Total restricted	-	804,858	60,596	865,454
Assigned:				
Reserve for Encumbrances	9,434	-	-	9,434
Subsequent Year Appropriations	28,325	-	-	28,325
Total assigned	37,759	-	-	37,759
Unassigned (deficit)	443,339	-	-	443,339
Total fund balances	<u>\$ 481,098</u>	<u>\$ 804,858</u>	<u>\$ 60,596</u>	<u>\$ 1,346,552</u>

NOTE 10 - INTERFUND TRANSFERS

\$400 was transferred to the Literacy Fund from the General Fund in 2012.

NOTE 11 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 - SPECIAL ITEM

During 2012, the Library's donated stock was acquired by another corporation. Upon the acquisition, the Library received cash proceeds and shares in the new corporation.

During 2013, the Library Trustees elected to transfer the cash proceeds received from the 2012 acquisition and the new corporation stock to the Lorain County Community Fund. The cash transferred was \$117,165 and 2,169 shares of Eaton Corporation stock.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of cash receipts, cash disbursements and changes in fund cash balance - governmental funds - cash basis - (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the net change in fund cash balance for the year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Balances

	2013 Governmental Funds	2012 Governmental Funds
	<u>General</u>	<u>General</u>
Budget basis	\$ (144,423)	\$ 84,446
Net adjustment for funds budgeted elsewhere	(1,287)	2,847
Encumbrances (budget-basis)	<u>3,713</u>	<u>9,438</u>
Cash basis	<u>\$ (141,997)</u>	<u>\$ 96,731</u>

NOTE 14 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2013 and 2012 for real and public utility property taxes represents collections of 2012 and 2011 taxes.

2013 and 2012 real property taxes are levied after October 1, 2013 and 2012, on the assessed value as of January 1, 2013 and 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 and 2012 real property taxes are collected in and intended to finance 2013 and 2012.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

**HERRICK MEMORIAL LIBRARY
LORAIN COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 14 - PROPERTY TAXES - (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 and 2012 public utility property taxes which became a lien December 31, 2012 and 2011, are levied after October 1, 2013 and 2012, are collected in 2013 and 2012 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2013 and 2012, was \$0.77 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 and 2012 property tax receipts were based are as follows:

	<u>2013</u>	<u>2012</u>
Real Property	\$ 173,682,780	\$ 187,014,190
Public Utility Personal Property	<u>43,804,730</u>	<u>41,253,940</u>
Total	<u>\$ 217,487,510</u>	<u>\$ 228,268,130</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.



Julian & Grube, Inc.
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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*

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Herrick Memorial Library, Lorain County, Ohio, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Herrick Memorial Library's basic financial statements and have issued our report thereon dated June 6, 2014, wherein we noted the Herrick Memorial Library uses a special purpose framework other than generally accepted accounting principles. As described in Note 3, the Herrick Memorial Library adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended December 31, 2012.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Herrick Memorial Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Trustees
Herrick Memorial Library

Compliance and Other Matters

As part of reasonably assuring whether the Herrick Memorial 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*.

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 Herrick Memorial Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Herrick Memorial Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 6, 2014

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Dave Yost • 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
JULY 15, 2014**