



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Herrick Memorial Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Herrick Memorial Library, Lorain County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2000 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 grants.

This report is intended solely for the information and use of the management and the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

March 27, 2000

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$0	\$0	\$0	\$0	\$0
Other Government Grants-In-Aid	424,988				424,988
Patron Fines and Fees	13,897				13,897
Earnings on Investments	13,108		7,131	4,295	24,534
Contributions, Gifts and Donations	4,811				4,811
Miscellaneous Receipts	1,040				1,040
Total Cash Receipts	457,844	0	7,131	4,295	469,270
Cash Disbursements:					
Current:					
Salaries and Benefits	224,785				224,785
Supplies	8,016				8,016
Purchased and Contracted Services	65,043				65,043
Library Materials and Information	79,415				79,415
Other Objects	2,229				2,229
Capital Outlay	3,858				3,858
Total Cash Disbursements	383,346	0	0	0	383,346
Total Cash Receipts Over/(Under) Cash Disbursements	74,498	0	7,131	4,295	85,924
Other Financing Receipts/(Disbursements):					
Transfers-In	2,700		25,000		27,700
Transfers-Out	(25,000)			(2,700)	(27,700)
Total Other Financing Receipts/(Disbursements)	(22,300)	0	25,000	(2,700)	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	52,198	0	32,131	1,595	85,924
Fund Cash Balances, January 1	224,655	2,481	122,706	46,393	396,235
Fund Cash Balances, December 31	\$276,853	\$2,481	\$154,837	\$47,988	\$482,159
Reserves for Encumbrances, December 31	\$64,606	\$2,481	\$0	\$0	\$67,087

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$0	\$0	\$0	\$0	\$0
Other Government Grants-In-Aid	404,145				404,145
Patron Fines and Fees	15,995				15,995
Earnings on Investments	22,524				22,524
Contributions, Gifts and Donations	5,189				5,189
Miscellaneous Receipts	2,557				2,557
Total Cash Receipts	450,410	0	0	0	450,410
Cash Disbursements:					
Current:					
Salaries and Benefits	215,632				215,632
Supplies	8,025	465			8,490
Purchased and Contracted Services	60,009	3,844			63,853
Library Materials and Information	65,685				65,685
Other Objects	2,929				2,929
Capital Outlay	15,575				15,575
Total Cash Disbursements	367,855	4,309	0	0	372,164
Total Cash Receipts Over/(Under) Cash Disbursements	82,555	(4,309)	0	0	78,246
Other Financing Receipts/(Disbursements):					
Transfers-In	3,448		28,549	7,949	39,946
Transfers-Out	(36,498)			(3,448)	(39,946)
Total Other Financing Receipts/(Disbursements)	(33,050)	0	28,549	4,501	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	49,505	(4,309)	28,549	4,501	78,246
Fund Cash Balances, January 1	175,150	6,790	94,157	41,892	317,989
Fund Cash Balances, December 31	\$224,655	\$2,481	\$122,706	\$46,393	\$396,235
Reserves for Encumbrances, December 31	\$59,317	\$0	\$0	\$0	\$59,317

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND DECEMBER 31, 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Herrick Memorial Library, Lorain County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library operates under the direction of three-member Board of Trustees appointed by the Township Trustees. The Library provides the community with various educational and literary resources.

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

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of their debt or the levying of their taxes. The Library has no component units.

The following entity which performs activities within the Library's boundaries for the benefit of its residents is excluded from the accompanying financial statements because the Library is not financially accountable for this entity nor is it fiscally dependent on the Library.

Friends of Herrick Memorial Library

Friends of Herrick Memorial Library is a federal tax-exempt, not for profit organization under section 501 (c)(3) of the Internal Revenue Code. The Friends organization was developed through community members who support the Library through fund-raising activities. The Library exercised no financial control over this not for profit organization. The Library received \$1,000 in financial contributions from the Friends organization during the fiscal period January 1, 1998 through December 31, 1999. Total cash assets (unaudited) of the Friends of Herrick Memorial Library at September 30, 1999 amounted to \$13,587. The Friends Treasurer's Report (unaudited) can be obtained through Don Hilliker, Treasurer.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Stocks are valued at the par value at the time of the original donation.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Wellington Album Fund - used to account for private grant monies that were received to create a pictorial history of Wellington.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through Trust Funds). The Library had the following significant Capital Projects Fund:

Building and Repair Fund - used to accumulate funds in anticipation of future expansion of Library facilities.

Fiduciary Fund (Trust Fund)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a Non Expendable Trust Fund. Other Trust Funds are classified as Expendable. The Library had the following significant Expendable Trust Fund:

Trust Fund - used to account for revenues received from earnings on investments. Interest earned is transferred to the General Fund and is utilized for Library related expenses.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

Appropriations

The Board of Trustees must annually approve appropriation measures and subsequent amendments for each fund. The Library sends a copy of the appropriation measure and subsequent amendments to the County Budget Commission. Unencumbered appropriations lapse at year end.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$168,169	\$103,055
Certificates of deposit	152,151	139,064
Total deposits	320,320	242,119
Common Stock	3,641	3,641
STAR Ohio	158,198	150,475
Total investments	161,839	154,116
Total deposits and investments	\$482,159	\$396,235

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Common Stock Certificates are uninsured investments. The market value of the common stock at December 31, 1999 was \$60,248.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 was as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$455,318	\$460,544	\$5,226
Special Revenue	0	0	0
Capital Projects	18,800	32,131	13,331
Expendable Trust	2,700	4,295	1,595
Total	\$476,818	\$496,970	\$20,152

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$661,717	\$472,952	\$188,765
Special Revenue	2,481	2,481	0
Capital Projects	141,506	0	141,506
Expendable Trust	49,092	2,700	46,392
Total	\$854,796	\$478,133	\$376,663

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$423,049	\$453,858	\$30,809
Special Revenue	0	0	0
Capital Projects	18,200	28,549	10,349
Expendable Trust	3,200	7,949	4,749
Total	\$444,449	\$490,356	\$45,907

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND DECEMBER 31, 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$576,134	\$463,670	\$112,464
Special Revenue	6,790	4,309	2,481
Capital Projects	112,356	0	112,356
Expendable Trust	45,091	3,448	41,643
Total	\$740,371	\$471,427	\$268,944

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library. These revenues are reflected in the accompanying financial statements as Other Government Grants-In-Aid.

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Inland Marine
- Commercial Auto
- Errors and omissions

The Library also provides health insurance coverage to full-time employees through a private carrier. The Library's liability for health care is limited to the premiums paid.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Herrick Memorial Library, Lorain County, Ohio (the Library), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 27, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated March 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated March 27, 2000.

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

March 27, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
APRIL 18, 2000**