



**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002 .....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Library Board of Trustees:

We have audited the accompanying financial statements of Herrick Memorial Library, Lorain County, Ohio (the Library) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides 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 of the Library as of December 31, 2003 and December 31, 2002, 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 July 19, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 19, 2004

**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND  
SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$407,229	\$0	\$0	\$407,229
Patron Fines and Fees	15,238	0	0	15,238
Contributions, Gifts, and Donations	6,665	0	0	6,665
Earnings on Investments	6,769	6,239	989	13,997
Miscellaneous	3,118	0	0	3,118
	<u>439,019</u>	<u>6,239</u>	<u>989</u>	<u>446,247</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	205,225	0	0	205,225
Employee Fringe Benefits	55,259	0	0	55,259
Purchased and Contracted Services	76,360	0	0	76,360
Library Materials and Information	64,960	0	0	64,960
Supplies	11,475	0	0	11,475
Other	6,570	0	0	6,570
Capital Outlay	2,187	0	0	2,187
	<u>422,036</u>	<u>0</u>	<u>0</u>	<u>422,036</u>
Total Cash Disbursements	<u>422,036</u>	<u>0</u>	<u>0</u>	<u>422,036</u>
Total Receipts Over/(Under) Disbursements	<u>16,983</u>	<u>6,239</u>	<u>989</u>	<u>24,211</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	20,000	1,056	21,056
Transfers-Out	(21,056)	0	0	(21,056)
	<u>(21,056)</u>	<u>20,000</u>	<u>1,056</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(21,056)</u>	<u>20,000</u>	<u>1,056</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,073)	26,239	2,045	24,211
Fund Cash Balances, January 1, 2003	<u>149,782</u>	<u>261,429</u>	<u>44,611</u>	<u>455,822</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u>\$145,709</u></b>	<b><u>\$287,668</u></b>	<b><u>\$46,656</u></b>	<b><u>\$480,033</u></b>

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

**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND  
SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>				
Library and Local Government Support	\$413,705	\$0	\$0	\$413,705
Patron Fines and Fees	14,302	0	0	14,302
Contributions, Gifts, and Donations	6,092	0	0	6,092
Earnings on Investments	13,650	5,439	1,360	20,449
Miscellaneous	4,341	0	0	4,341
	<u>452,090</u>	<u>5,439</u>	<u>1,360</u>	<u>458,889</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	236,906	0	0	236,906
Employee Fringe Benefits	48,581	0	0	48,581
Purchased and Contracted Services	67,819	0	0	67,819
Library Materials and Information	68,772	0	0	68,772
Supplies	8,851	0	0	8,851
Other	4,317	0	0	4,317
Capital Outlay	46,341	133	0	46,474
	<u>481,587</u>	<u>133</u>	<u>0</u>	<u>481,720</u>
Total Cash Disbursements	<u>481,587</u>	<u>133</u>	<u>0</u>	<u>481,720</u>
Total Receipts Over/(Under) Disbursements	<u>(29,497)</u>	<u>5,306</u>	<u>1,360</u>	<u>(22,831)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	5,136	20,000	0	25,136
Transfers-Out	(20,000)	0	(5,136)	(25,136)
	<u>(14,864)</u>	<u>20,000</u>	<u>(5,136)</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(14,864)</u>	<u>20,000</u>	<u>(5,136)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(44,361)	25,306	(3,776)	(22,831)
Fund Cash Balances, January 1, 2002	<u>194,143</u>	<u>236,123</u>	<u>48,387</u>	<u>478,653</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u>\$149,782</u></b>	<b><u>\$261,429</u></b>	<b><u>\$44,611</u></b>	<b><u>\$455,822</u></b>

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



**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Herrick Memorial Library, Lorain County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a three-member Board of Trustees appointed by the Trustees of Wellington Township. 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 the 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 by community members who support the Library through fund-raising activities. The Library exercises no financial control over this organization. The Library received \$2,087 in financial contributions from the Friends during the period January 1, 2002 through December 31, 2003. Total cash assets (unaudited) of the Friends of Herrick Memorial Library at September 30, 2003 amounted to \$17,694. The Friends Treasurer's Report (unaudited) can be obtained from Linda Hatton, 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**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments (Continued)**

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. Stocks are valued at par value at the time of original donation.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant capital projects fund:

*Building and Repair Fund* - used for the purpose of repairing, improving, furnishing and equipping the existing Library.

**3. 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 nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant expendable trust fund:

Endowment Fund - used to account for gifts or bequests to the Library. The use of these funds are either restricted for a specific purpose or allowed to be used for general operating expenditures and transferred to the general fund.

**E. Budgetary Process**

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

**1. Appropriations**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investment 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:

	2003	2002
Demand deposits	\$46,749	\$89,850
Certificates of deposit	194,670	279,303
Money market mutual fund	231,217	16,610
Total deposits	472,636	385,763
STAR Ohio	3,756	66,418
Common Stock	3,641	3,641
Total investments	7,397	70,059
Total deposits and investments	\$480,033	\$455,822

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Common stock is carried at the value at the time of donation. At December 31, 2003, the market value of the stock is \$83,772.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$470,150	\$443,092	\$27,058
Capital Projects	0	0	0
Expendable Trust	0	0	0
Total	\$470,150	\$443,092	\$27,058

**HERRICK MEMORIAL LIBRARY  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$645,940	\$501,587	\$144,353
Capital Projects	263,422	133	263,289
Expendable Trust	49,494	5,136	44,358
Total	\$958,856	\$506,856	\$452,000

**4. GRANTS-IN-AID 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 based on any additional revenues the Library receives.

**5. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance to full-time employees through a private carrier. The Library's liability is limited to the premiums it pays.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Herrick Memorial Library, Lorain County, Ohio, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 19, 2004, wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting 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 the Library's management in a separate letter dated July 19, 2004.

This report is intended solely for the information and use of 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

July 19, 2004



**Auditor of State  
Betty Montgomery**

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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  
AUGUST 19, 2004**