

**SEAFORD DISTRICT LIBRARY**  
**FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED JUNE 30, 2007 (AUDITED) AND 2006 (UNAUDITED)**

**SEAFORD DISTRICT LIBRARY  
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FOR THE YEARS ENDED JUNE 30, 2007 (AUDITED) AND 2006 (UNAUDITED)**

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# Jefferson, Urian, Doane & Sterner, P.A.

A PROFESSIONAL CORPORATION • CERTIFIED PUBLIC ACCOUNTANTS

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ANITA Y. SMITH, MEd, DIRECTOR

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Seaford Public Library  
Seaford, Delaware

We have audited the accompanying statement of cash receipts and disbursements of the Seaford Public Library for the year ended June 30, 2007. This financial statement is the responsibility of the Library's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Seaford Public Library for the year ended June 30, 2007, on the basis of accounting described in Note A.

Our audit was conducted for the purpose of forming an opinion on the statement of cash receipts and disbursements taken as a whole. The supplementary information contained herein is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and disbursements. Such information has not been subjected to the auditing procedures applied in the audit of the statement of cash receipts and disbursements and, accordingly, we express no opinion on it.

The June 30, 2006 financial statement was compiled by us, and our report thereon, dated August 9, 2006, stated we did not audit or review that financial statement and, accordingly, expressed no opinion or other form of assurance on it.

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
November 6, 2007

SEAFORD DISTRICT LIBRARY  
 STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2007 (AUDITED) AND 2006 (UNAUDITED)

	2007	2006
<b>RECEIPTS</b>		
Book sales	\$ 1,277	\$ 1,130
Building fund income	63,385	130,148
Copy machine	3,306	3,324
City of Seaford	2,500	1,500
Dividends	23,579	19,227
Fees and fines	13,100	12,279
Gifts and donations	2,511	2,185
Interest	4,052	2,956
Miscellaneous	384	2,041
Proceeds from sale of securities	173,172	11,843
State of Delaware	67,991	62,565
Sussex County	230,488	240,512
Other grants	2,384	4,952
<b>TOTAL RECEIPTS</b>	<b>588,129</b>	<b>494,662</b>
<b>DISBURSEMENTS</b>		
Accounting	774	724
Audio visual	8,528	4,097
Automation	-	9,605
Books	34,267	25,651
Capital expenditures	122,582	158,626
Commissions	4,925	4,667
Dues and subscriptions	5,542	4,801
Fuel	6,823	5,809
Hospitalization	5,773	5,829
Insurance	8,256	8,196
Janitorial services and supplies	713	772
Maintenance and repairs	8,863	8,254
Mileage	1,645	1,200
Miscellaneous	1,823	1,764
Office supplies	11,210	7,766
Payroll taxes	13,605	14,861
Photocopy supplies	803	1,326
Programs and projects	8,149	4,484
Salaries	177,842	152,463
Securities purchased	178,202	17,916
Telephone	1,918	2,101
Training and education	2,504	895
Utilities	22,940	24,854
<b>TOTAL DISBURSEMENTS</b>	<b>627,687</b>	<b>466,661</b>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH RECEIPTS AND CASH DISBURSEMENTS - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2007 (AUDITED) AND 2006 (UNAUDITED)

	<u>2007</u>	<u>2006</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	\$ (39,558)	\$ 28,001
<b>BEGINNING CASH BALANCE</b>	<u>213,549</u>	<u>185,548</u>
<b>ENDING CASH BALANCE</b>	<u><u>\$ 173,991</u></u>	<u><u>\$ 213,549</u></u>
<b>COMPOSITION OF ENDING CASH BALANCE</b>		
Checking account - fines	\$ 1,371	\$ 2,182
Checking account - general	39,001	63,892
Checking account - reserved for computers	-	6,000
Checking account - building fund	626	335
Certificate of deposit - Postles	5,753	5,753
Certificate of deposit - D. Lockwood	4,977	4,977
Certificates of deposit - building fund	14,583	14,331
Certificate of deposit - general	25,000	-
Money market account - building fund	77,916	114,739
Money market accounts - Wilmington Brokerage	<u>4,764</u>	<u>1,340</u>
<b>TOTAL COMPOSITION OF ENDING CASH BALANCE</b>	<u><u>\$ 173,991</u></u>	<u><u>\$ 213,549</u></u>

**NOTE A - ACCOUNTING POLICIES**

Nature of Activities

The Seaford District Library (the Library) provides library services to the general public. It is a free public library that provides collections of reading materials, programs, and services to benefit the Seaford area. The Library is supported primarily through grants from Sussex County, Delaware.

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding receivables and obligations unpaid at the date of the financial statements are not included in the financial statements.

**NOTE B - RESTRICTED CASH**

The Building Fund, which at June 30, 2007 and 2006 had balances of \$ 93,125 and \$ 129,405, respectively, is restricted for the construction of a new library. It is funded by donations and grants. Other restricted accounts, which at June 30, 2007 and 2006 had balances of \$ 14,078 and \$ 17,231, respectively, are restricted for purchases of specific collection materials.

**NOTE C - INCOME TAXES**

The Library is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**NOTE D - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Library to concentrations of credit risk consist principally of investments held by a broker.

The Library maintains several different accounts in two commercial banks. Cash held by an individual bank can at times exceed \$ 100,000. These accounts are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 100,000.

**NOTE E - COMMITMENTS AND CONTINGENCIES**

The Library plans to build a new library on land purchased from the City of Seaford. The land was purchased on September 16, 2003 for \$ 127,192. Nason Construction, Inc. has been contracted to oversee and manage the construction of the new library. The total cost of the contracts with Nason Construction, Inc. is \$ 611,694, of which \$ 481,532 remains to be paid at June 30, 2007.

**SUPPLEMENTARY INFORMATION**

SEAFORD DISTRICT LIBRARY  
INSURANCE COVERAGE (UNAUDITED)  
JUNE 30, 2007

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**AGENT:** The Insurance Market, Inc.

**COMPANY:** Utica National Insurance Co.

**TERM:** July 13, 2006 - July 13, 2007

**COVERAGE:** Commercial Package Policy  
\$ 1,092,700 on Building, 80% Co-Insurance, \$ 500 Deductible  
\$ 1,463,200 on Contents, 80% Co-Insurance, \$ 500 Deductible  
\$ 2,000,000 General Aggregate Limit, Each Occurrence Limit  
\$ 2,000,000 Products - Comp/Op Ag  
\$ 1,000,000 Personal and Adv Injury  
\$ 1,000,000 Each Occurrence Limit  
\$ 5,000 Medical Limit, Per Person  
\$ 50,000 Fire Damage Limit, Any One Fire

Public Employee Dishonesty  
\$ 300,000 Each Loss, \$ 100 Deductible

Commercial Auto  
\$ 1,000,000 Each Accident

Legal Liability  
\$ 1,000,000 Each Loss  
\$ 1,000,000 Aggregate For Each Annual Policy Year

**PREMIUM:** \$ 6,672

**AGENT:** The Insurance Market, Inc.

**COMPANY:** Utica National Insurance Group

**TERM:** July 13, 2006 - July 13, 2007

**COVERAGE:** Worker's Compensation Insurance  
\$ 100,000 Each Accident  
\$ 100,000 Disease Each Employee  
\$ 500,000 Disease Policy Limit

**PREMIUM:** \$ 1,584



SEAFORD DISTRICT LIBRARY  
INVESTMENTS (UNAUDITED)  
JUNE 30, 2007

The Library owns marketable debt and equity securities, which are not included in the statement of cash receipts and disbursements. Investments at June 30, 2007 are as follow:

<u>Broker Holding Investment/Investment Description</u>	<u>Fair Value</u>
Wilmington Brokerage Services - Marvel Trust	
Equity Securities	\$ 54,703
Equity Mutual Funds	20,625
Fixed Income Mutual Funds	<u>47,327</u>
Total Wilmington Brokerage Services - Marvel Trust	<u>122,655</u>
Wilmington Brokerage Services - Shattuck Trust	
Equity Securities	94,726
Equity Mutual Funds	40,345
Fixed Income Mutual Funds	<u>181,722</u>
Total Wilmington Brokerage Services - Shattuck Trust	<u>316,793</u>
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 439,448</u></u>

The Marvel Trust investments are not restricted, but require board approval to disburse funds. The Shattuck Trust investments are restricted for children's books.

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**BOARD OF COMMISSIONERS**

The Commissioners of the Seaford District Library are:

President	- Dr. Edith Villasenor
Vice-President	- Rose Adams
Treasurer	- Richard Sellers
Secretary	- Leigh Ann DePope
Member	- Newton Crouse

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RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

**COMMUNICATION OF SIGNIFICANT  
DEFICIENCIES**

To the Board of Commissioners  
Seaford District Library  
Seaford, Delaware

In planning and performing our audit of the statement of cash receipts and disbursements of the Seaford District Library for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal controls) as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and disbursements basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**OBSERVATION - PREPARATION OF FINANCIAL STATEMENTS AND ADJUSTMENTS**

Management relies on the auditor to perform certain tasks such as adjustments to investments, certificates of deposits, fund balance and adjustments to the cash receipts and disbursements basis of accounting. In addition, management relies upon the auditor to prepare the financial statements on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Management does not have the knowledge of accounting principles to determine whether the disclosures are complete or financial statements are accurately prepared.

**RECOMMENDATION**

The Library may wish to consider alternatives to improve its control over the financial reporting process.

To the Board of Commissioners of Seaford District Library  
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OBSERVATION - SEGREGATION OF DUTIES

Due to staffing limitations, there is a lack of proper segregation of duties. A good system of internal control provides for proper segregation of the accounting functions. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

RECOMMENDATION

The Library should make every effort to strengthen internal controls as opportunities arise.

This report is intended solely for the information and use of the Board of Commissioners and the management of the Seaford District Library and is not intended to be and should not be used by anyone other than these specified parties.

We will review the status of the above comments during our next engagement. We will be pleased to discuss them in further detail at your convenience.

Sincerely,

*Jefferson, Urian, Doane & Sterner, P.A.*

Georgetown, Delaware  
November 6, 2007