



Dave Yost • Auditor of State



**AKRON-SUMMIT COUNTY PUBLIC LIBRARY  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Akron-Summit County Public Library  
Summit County  
60 S High Street  
Akron, Ohio 44326

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 Akron-Summit County Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the 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 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 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 Akron-Summit County Public Library, Summit County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the general fund thereof for the year 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.

**Other Matters**

*Supplemental and Other Information*

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

*Management's Discussion & Analysis* includes tables of net position, changes in governmental net position, governmental activities, and debt administration. 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. We subjected these tables to the auditing procedures we applied to the basic financial statements. 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 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 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 December 11, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Library's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 11, 2014

# **Akron-Summit County Public Library**

## **Management's Discussion and Analysis**

### **For the Year Ended December 31, 2012**

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This discussion and analysis of the Akron-Summit County Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended 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 highlight for 2012 is as follows:

- The Library's receipts are primarily from intergovernmental revenues and property taxes. These receipts represent 47 percent and 49 percent respectively of the total cash received for the Library's government-wide activities during the year.

#### **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 basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

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

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

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2012

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#### Reporting the Library as a Whole

##### *Statement of Net Position and the Statement of Activities*

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2012, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts. Program receipts include patron fines and fees 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 net position and the changes in net position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Library's financial health. Over time, increases or decreases in the Library's net position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, one should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and the Public Library Fund (PLF).

In the Statement of Net Position and the Statement of Activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and the PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

#### Reporting the Library's Most Significant Funds

##### *Fund Financial Statements*

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 as follows:

- **Governmental Funds** – All 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, Bond Retirement Fund and the Taylor Lerch Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2012

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#### *Other Information*

#### *Notes to the Financial Statements*

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

#### **The Library as a Whole**

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

	<u>2012</u>	<u>2011</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ <u>4,698,566</u>	\$ <u>5,666,707</u>
Net Position:		
Restricted for:		
Grant Purposes	430	-
Capital Projects	-	4,012
Debt Service	6,201	397,379
Unclaimed Monies	9,182	-
Permanent Fund Purpose:		
Expendable	48,982	63,981
Nonexpendable	435,825	435,825
Other Purposes	60,043	587,350
Unrestricted	<u>4,137,903</u>	<u>4,178,160</u>
Total Net Position	\$ <u>4,698,566</u>	\$ <u>5,666,707</u>

Net position of governmental activities decreased \$968,141 or 17 percent during 2012. The primary reasons contributing to the decrease in the cash balance in 2012 was the decrease in general receipts primarily from the property taxes and the public library fund.

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2012

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

Table 2  
Changes in Governmental Net Position

	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 562,114	\$ 592,591
Operating grants and contributions	83,234	20,407
Total program receipts	<u>645,348</u>	<u>612,998</u>
General receipts:		
Property taxes levied for general purposes	9,232,374	10,738,861
Property taxes levied for debt service	4,616,187	5,095,674
Intergovernmental revenues	13,269,093	13,858,141
Unrestricted gifts and contributions	412	1,846
Proceeds from issuance of debt	-	26,225,000
Premium on debt	-	3,064,015
Interest	17,352	21,345
Miscellaneous	295,690	233,534
Total general receipts	<u>27,431,108</u>	<u>59,238,416</u>
Total receipts	<u>28,076,456</u>	<u>59,851,414</u>
Disbursements:		
Library services:		
Public services and programs	11,525,425	11,818,491
Collection development and processing	3,822,208	3,807,632
Support services:		
Facilities operation and maintenance	4,276,901	4,617,256
Information services	874,973	929,036
Business administration	2,593,416	2,559,988
Capital outlay	371,151	484,784
Debt service:		
Principal retirement and escrow payment	3,660,000	32,494,097
Interest and fiscal charges	1,920,523	2,110,400
Issuance costs	-	286,222
Total disbursements	<u>29,044,597</u>	<u>59,107,906</u>
Change in net position	(968,141)	743,508
Net position at beginning of year	<u>5,666,707</u>	<u>4,923,199</u>
Net position at end of year	<u>\$ 4,698,566</u>	<u>\$ 5,666,707</u>

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2012

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#### *Governmental Activities*

Program receipts represent 2.3 percent of total receipts and are primarily comprised of patron fines and fees, grants, and contributions and donations.

General receipts represent 97.7 percent of the Library's total receipts, and of this, 50.5 percent are local taxes. State grants and entitlements make up another 48.4 percent of the Library's general receipts. Other miscellaneous receipts are less significant and somewhat unpredictable revenue sources.

The first column of the Statement of Activities 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 Public Services and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, Capital Outlay and Debt Service, which account for 39.7 percent, 13.2 percent, 14.7 percent, 3.0 percent, 8.9 percent, 1.3 percent, and 19.2 percent of all Library disbursements respectively. The next two columns of the Statement titled Program Cash Receipts identify amounts paid by persons who are directly charged for the respective service and grants received by the Library that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service paid by taxpayers from the Library's general receipts which are represented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3  
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Library services:				
Public services and programs	\$ 11,525,425	\$ 10,884,581	\$ 11,818,491	\$ 11,205,493
Collection development and processing	3,822,208	3,819,535	3,807,632	3,807,632
Support services				
Facilities operation and maintenance	4,276,901	4,276,901	4,617,256	4,617,256
Information services	874,973	874,973	929,036	929,036
Business administration	2,593,416	2,593,416	2,559,988	2,559,988
Capital outlay	371,151	369,320	484,784	484,784
Principal retirement	3,660,000	3,660,000	32,494,097	32,494,097
Interest and fiscal charges	1,920,523	1,920,523	2,110,400	2,110,400
Issuance costs	-	-	286,222	286,222
Total disbursements	\$ <u>29,044,597</u>	\$ <u>28,399,249</u>	\$ <u>59,107,906</u>	\$ <u>58,494,908</u>

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2012

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#### The Library's Funds

Total governmental funds receipts including other financing sources were \$28,077,188 and disbursements including other financing uses were \$29,045,329. The General Fund receipts were \$520,310 less than disbursements after other financing sources (uses), and the ending cash fund balance was \$4,143,494. The reduction in the General Fund ending balance from 2011 to 2012 was primarily due to the reduction of local taxes and intergovernmental receipts by \$2,026,642.

The Bond Retirement Fund balance change was primarily due to annual changes in the debt service schedule. Each year the county levies local taxes in an amount sufficient to pay the bond retirement obligation and the Library issues payments according to the schedule.

#### General Fund Budgeting Highlights

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

During 2012, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were \$22,982,584 and actual receipts were \$22,730,707, which was \$251,877 less revenue than budgeted. Final disbursements including other financing uses were budgeted at \$25,764,650 and actual disbursements were \$23,661,816, which was \$2,102,834 less disbursements than budgeted. The primary reason for the difference between budgeted and actual disbursements was due to a budgeted contingency that was not spent. Annually a contingency line item is included in the budget but normally is not utilized. The amount of the contingency line item for 2012 was \$1,406,027.

#### Debt Administration

##### *Debt*

Table 4 shows the Library's outstanding debt of \$35,405,000 at December 31, 2012. This amount consists of bonds issued for improvements to buildings and structures. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

Table 4  
Debt Administration

<u>Type of Debt</u>	<u>Description</u>	<u>Balance Outstanding at December 31, 2012</u>
Bond Issue	Series 2011	\$ 26,225,000
Bond Issue	Series 2005	9,180,000
Total Bonds		<u>\$ 35,405,000</u>

# **Akron-Summit County Public Library**

## **Management's Discussion and Analysis**

### **For the Year Ended December 31, 2012**

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#### **Current Issues**

The challenge for all Ohio Libraries is to continue to provide quality services to the public while experiencing shrinking funding. Most of Ohio's public libraries depend on the State of Ohio for a major part of their funding through the Public Library Fund (PLF).

Funding from the PLF decreased in 2012 by \$708,068 from 2011 due to funding cuts in the State's biennial budget effective July 1, 2011 through June 30, 2013. Pursuant to this budget Ohio libraries received 95 percent of the amount received in fiscal year 2011.

The Library's other major operating funding source is a five-year 1.4 mil local property tax levy which was approved by the voters in May 2010 to provide for general operations. Tax revenue for general operations decreased in 2012 by approximately \$1.5 million. This reduction was mainly due to the triennial property reappraisal completed by the county in 2011 and the continued depressed housing market.

With no expectation of increased State funding and the potential for a decline in future levy revenues, the organization continued to reduce expenditures in most categories throughout 2012. Significant reductions over the last several years to salary expenses have been achieved through workforce attrition and the reorganization of work duties.

Despite the financial challenges, the Akron-Summit County Public Library has continued to provide excellent service to the public. We strive to be a valued resource in our community and partner in community initiatives such as early childhood literacy. As such, the Akron-Summit County Public Library has again been named one of America's best libraries by the Index of Public Library Service, a national rating of public libraries in the Library Journal.

#### **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 Michelle Scarpitti, Fiscal Officer, Akron-Summit County Public Library, 60 S. High Street, Akron, Ohio 44326.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Net Position - Cash Basis*

*December 31, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,698,566</u>
<b>Net Position</b>	
Restricted for:	
Grant Purposes	\$ 430
Debt Service	6,201
Unclaimed Monies	9,182
Permanent Fund Purpose:	
Expendable	48,982
Nonexpendable	435,825
Other Purposes	60,043
Unrestricted	<u>4,137,903</u>
<i>Total Net Position</i>	<u>\$ 4,698,566</u>

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

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2012*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$ 11,525,425	\$ 562,114	\$ 78,730	\$ (10,884,581)
Collection Development and Processing	3,822,208	-	2,673	(3,819,535)
Support Services:				
Facilities Operation and Maintenance	4,276,901	-	-	(4,276,901)
Information Services	874,973	-	-	(874,973)
Business Administration	2,593,416	-	-	(2,593,416)
Capital Outlay	371,151	-	1,831	(369,320)
Debt Service:				
Principal Retirement	3,660,000	-	-	(3,660,000)
Interest and Fiscal Charges	1,920,523	-	-	(1,920,523)
<i>Total Governmental Activities</i>	<u>\$ 29,044,597</u>	<u>\$ 562,114</u>	<u>\$ 83,234</u>	<u>\$ (28,399,249)</u>
		General Receipts:		
		Property Taxes Levied for:		
			General Purposes	\$ 9,232,374
			Debt Service	4,616,187
			Intergovernmental revenues	13,269,093
			Unrestricted Gifts and Contributions	412
			Earnings on Investments	17,352
			Miscellaneous	295,690
			<i>Total General Receipts</i>	<u>27,431,108</u>
			Change in Net Position	(968,141)
			<i>Net Position Beginning of Year</i>	<u>5,666,707</u>
			<i>Net Position End of Year</i>	<u>\$ 4,698,566</u>

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

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Assets and Fund Balances- Cash Basis*

*Governmental Funds*

*December 31, 2012*

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Taylor Lerch Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,143,494</u>	<u>\$ -</u>	<u>\$ 474,302</u>	<u>\$ 80,770</u>	<u>\$ 4,698,566</u>
<b>Fund Balances</b>					
Nonspendable	\$ 9,182	\$ -	\$ 425,825	\$ 10,000	\$ 445,007
Restricted	430	-	48,477	66,749	115,656
Assigned	424,312	-	-	4,021	428,333
Unassigned	<u>3,709,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,709,570</u>
<i>Total Fund Balances</i>	<u>\$ 4,143,494</u>	<u>\$ -</u>	<u>\$ 474,302</u>	<u>\$ 80,770</u>	<u>\$ 4,698,566</u>

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



**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General Fund	Bond Retirement Fund	Taylor Lerch Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 9,232,374	\$ 4,616,187	\$ -	\$ -	\$ 13,848,561
Public Library Fund	10,861,536	-	-	-	10,861,536
Intergovernmental	1,752,279	655,276	-	-	2,407,555
Patron Fines and Fees	562,114	-	-	-	562,114
Contributions, Gifts and Donations	16,366	-	-	67,280	83,646
Earnings on Investments	16,243	-	1,031	78	17,352
Miscellaneous	295,692	-	-	-	295,692
<i>Total Receipts</i>	<u>\$ 22,736,604</u>	<u>\$ 5,271,463</u>	<u>\$ 1,031</u>	<u>\$ 67,358</u>	<u>\$ 28,076,456</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Services and Programs	\$ 11,519,060	\$ -	\$ -	\$ 6,365	\$ 11,525,425
Collection Development and Processing	3,758,098	-	1,541	62,569	3,822,208
Support Services:					
Facilities Operation and Maintenance	4,276,256	-	-	645	4,276,901
Information Services	826,687	-	-	48,286	874,973
Business Administration	2,506,412	82,118	3,518	1,368	2,593,416
Capital Outlay	369,669	-	-	1,482	371,151
Debt Service:					
Principal Retirement	-	3,660,000	-	-	3,660,000
Interest and Fiscal Charges	-	1,920,523	-	-	1,920,523
<i>Total Disbursements</i>	<u>\$ 23,256,182</u>	<u>\$ 5,662,641</u>	<u>\$ 5,059</u>	<u>\$ 120,715</u>	<u>\$ 29,044,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(519,578)</u>	<u>(391,178)</u>	<u>(4,028)</u>	<u>(53,357)</u>	<u>(968,141)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	-	732	732
Transfers Out	(732)	-	-	-	(732)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (732)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732</u>	<u>\$ -</u>
<i>Net Change in Fund Balances</i>	(520,310)	(391,178)	(4,028)	(52,625)	(968,141)
<i>Fund Balances Beginning of Year</i>	<u>4,663,804</u>	<u>391,178</u>	<u>478,330</u>	<u>133,395</u>	<u>5,666,707</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,143,494</u>	<u>\$ -</u>	<u>\$ 474,302</u>	<u>\$ 80,770</u>	<u>\$ 4,698,566</u>

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

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budgetary Basis*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 9,923,593	\$ 9,923,593	\$ 9,232,374	\$ (691,219)
Public Library Fund	10,861,536	10,861,536	10,861,536	-
Intergovernmental	1,257,955	1,257,955	1,752,279	494,324
Patron Fines and Fees	620,000	620,000	562,114	(57,886)
Contributions, Gifts and Donations	13,500	13,500	16,366	2,866
Earnings on Investments	16,000	16,000	13,223	(2,777)
Miscellaneous	290,000	290,000	292,815	2,815
<i>Total Receipts</i>	<u>\$ 22,982,584</u>	<u>\$ 22,982,584</u>	<u>\$ 22,730,707</u>	<u>\$ (251,877)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	\$ 11,557,430	\$ 11,634,236	\$ 11,567,929	\$ 66,307
Collection Development and Processing	4,049,639	4,058,444	3,977,730	80,714
Support Services:				
Facilities Operation and Maintenance	4,838,291	4,771,652	4,371,110	400,542
Information Services	852,602	851,420	828,404	23,016
Business Administration	4,055,378	3,981,166	2,513,542	1,467,624
Capital Outlay	467,000	467,000	402,369	64,631
<i>Total Disbursements</i>	<u>\$ 25,820,340</u>	<u>\$ 25,763,918</u>	<u>\$ 23,661,084</u>	<u>\$ 2,102,834</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,837,756)</u>	<u>(2,781,334)</u>	<u>(930,377)</u>	<u>1,850,957</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(410)	(732)	(732)	-
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (410)</u>	<u>\$ (732)</u>	<u>\$ (732)</u>	<u>\$ -</u>
<i>Net Change in Fund Balance</i>	(2,838,166)	(2,782,066)	(931,109)	1,850,957
<i>Unencumbered Fund Balance Beginning of Year</i>	2,782,123	2,782,123	2,782,123	-
Prior Year Encumbrances Appropriated	478,919	478,919	478,919	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 422,876</u>	<u>\$ 478,976</u>	<u>\$ 2,329,933</u>	<u>\$ 1,850,957</u>

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

## **Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **Note 1: Description of the Library and Reporting Entity**

The Akron-Summit County Public Library was organized as a county district library in 1874 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members, four of whom are appointed by the Summit County Executive and Council, and three whom are appointed by the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing, being sued, contracting, acquiring, holding, possessing, and disposing of real property, and 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 that of the Fiscal Officer.

The Library is fiscally independent of the County, although the County serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy are discretionary decisions made solely by the Board of Trustees of the Library. Once those decisions are made, the County 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 County.

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.

There are nineteen Friends groups associated with the Akron-Summit County Public Library: one for Main Library; one for each branch library; and one Council of Friends, which is an umbrella group for the other Friends groups. Each Friends group is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt of these organizations. Therefore, these organizations have 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.

### **Note 2: Summary of Significant Accounting Policies**

As discussed further in Note 2 C, the financial statements of the Akron-Summit County Public 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 modified cash basis of accounting.

## **Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **Note 2: Summary of Significant Accounting Policies (continued)**

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 position 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 taxes, intergovernmental revenues and other nonexchange revenues.

The statement of net position presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. The Library's functions include: Public Services and Programs; Collection Development and Processing; Facilities Operation and Maintenance; Information Services; Business Administration; Capital Outlay; and Debt Service. 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, 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

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.

## Akron-Summit County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts, 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 all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to accumulate resources for the retirement of principal and interest on the Library's bond indebtedness.

Taylor Lerch Fund - The Taylor Lerch Fund accounts for resources received from a private donation whose use is restricted to a particular purpose.

The other governmental funds of the Library account for 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. 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 modified cash basis of accounting, certain assets and their relative revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

#### ***D. Budgetary Process***

All funds are legally required to be appropriated. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for the General Fund and at fund level for all other funds. Budgetary modifications above the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carryover balances from the prior year, set a limit on the amount the Board of 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 adopted by the Board of Trustees.

**Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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**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 permanent appropriation for that fund including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Trustees during the year.

***E. Cash and Cash Equivalents***

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts respectively. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Interest receipts credited to the General Fund in 2012 totaled \$16,243 which includes \$939 assigned from other Library funds.

***F. 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.

***G. 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.

***H. Accumulated Leave***

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

## Akron-Summit County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### Note 2: Summary of Significant Accounting Policies (continued)

#### ***I. Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlays are reported at inception. Lease payments are reported when paid.

#### ***J. 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 totaling \$484,807 in the Permanent Funds are restricted, \$435,825 of which is nonspendable. Net position restricted for other purposes include monies received from donations to benefit Library programs and the purchase of certain materials.

The Library applies restricted resources first when an obligation is incurred for purposes which both restricted and unrestricted resources are available.

#### ***K. Fund Balance***

Fund balance is divided into five classifications based primarily to the extent that 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.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as those through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions.

***Committed:*** The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes 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.

**Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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**Note 2: Summary of Significant Accounting Policies** (continued)

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 Board of 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 all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be used.

**L. Interfund Transactions**

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.

**Note 3: Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – 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 due to funds that were budgeted separately but combined with the General Fund for reporting purposes and outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The following schedule reconciles the change in fund balance reported in the two statements.

Net Change in Fund Balance	
Cash basis	\$ (520,310)
Outstanding encumbrances	(414,185)
Separately budgeted funds	3,386
Budgetary basis	<u>\$ (931,109)</u>

**Note 4: Change in Accounting Principle**

For 2012, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 identifies net position, rather than net assets, as the residual for all other elements presented in a statement of financial position. This change was incorporated in the Library’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.



## **Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **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 monies that have been 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 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 the deposit or by savings or deposit accounts, including passbook accounts.

The Library's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

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 the federal government agencies or instrumentalities;
3. Interim deposit (such as Certificates of Deposit) in eligible institutions applying for interim monies;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. 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.

## **Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **Note 5: Deposits and Investments** (continued)

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.

At year end, the Library had \$3,235 of undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

#### ***Deposits***

Custodial risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Library's deposits was \$4,695,331 and the bank balance was \$5,263,213. Of the bank balance, \$2,544,459 was covered by Federal depository insurance and \$2,718,754 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.

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.

### **Note 6: Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the school districts within Summit County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of the 2011 taxes.

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

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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

Real property taxes are payable annually or semi-annually. If paid annually, the 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.

In May 2010 the Library district's voters approved a 1.4 mil replacement tax levy for a five-year period with collections beginning in 2011.

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county including the Library. The County Fiscal Officer periodically remits the Library's portion of the taxes collected to the Library.

## Akron-Summit County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### Note 7: 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 2012, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance	Property – Main - Building	\$60,000,000
	Property – Branches - Building	\$32,300,000
	Property – Main - Contents	\$20,800,000
	Property – Branches - Contents	\$23,212,000
	Commercial Umbrella Liability	\$7,000,000
	Electronic Data Equipment	\$2,577,525
	Fine Arts	\$382,383
	Extra Expense	\$2,010,000
	General Liability, in aggregate	\$2,000,000
	General Liability, per occurrence	\$1,000,000
	Fleet Insurance, single limit	\$1,000,000
	Fleet Insurance, uninsured	\$1,000,000
	Employee Dishonesty	\$250,000
	Boiler and Machinery	Property Limits
	Flood	\$1,000,000
	Earthquake	\$5,000,000
	Bookmobile Contents	\$1,345,753
	Off Premises Services Interruption	\$250,000
	Chubb Insurance	Directors and Officers Liability
Employment Practices		\$3,000,000
Western Surety	Public Officials Bond	\$200,000

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

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

The Library also provides health, dental and vision insurances to employees through private carriers.

### Note 8: Defined Benefit Pension Plan

#### *Ohio Public Employees Retirement System*

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

**Traditional Pension Plan:** The Traditional Pension Plan is a cost sharing, multiple-employer

## Akron-Summit County Public Library

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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### Note 8: Defined Benefit Pension Plan (continued)

defined benefit pension plan.

**Member-Directed Plan:** The Member Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

**Combined Plan:** The Combined Plan is a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which 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 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer rates were consistent across all three plans. The member contribution rates were 10.00% of covered payroll for members in state and local classifications. The 2012 employer rate for state and local employers was 14.00% of covered payroll.

The Library's required contributions for pension obligations for all plans for the years ended December 31, 2012, 2011, and 2010 were \$1,173,339, \$1,195,425, and \$960,924 respectively; the full amount has been contributed for 2012, 2011, and 2010.

### Note 9: Post Employment Benefits

#### *Ohio Public Employees Retirement System*

**Plan Description** - The 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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-

## Akron-Summit County Public Library

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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### **Note 9: Post Employment Benefits** (continued)

Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by 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 the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of health care benefits. The portion of employer contributions allocated to health care for members in the in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended by the OPERS actuary. The OPERS Retirement Board is also authorized to establish rules for retirees or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$456,479, \$478,136 and \$772,351 respectively; the full contributions have been made for each year.

**Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

**Note 10: Debt**

The Library's long-term debt activity for the year ended December 31, 2012, was as follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Library Improvement Bonds						
Series 2002	2.15%-5.0%	\$ 885,000	\$ -	\$ 885,000	\$ -	\$ -
2005 Refunding	3.5%-5.0%	11,955,000	-	2,775,000	9,180,000	2,910,000
2011 Refunding	2.0%-5.0%	26,225,000	-	-	26,225,000	865,000
		<u>\$ 39,065,000</u>	<u>\$ -</u>	<u>\$ 3,660,000</u>	<u>\$ 35,405,000</u>	<u>\$ 3,775,000</u>

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2012 are as follows:

Year	Series 2005		Series 2011		Total
	Principal	Interest	Principal	Interest	
2013	\$ 2,910,000	\$ 459,000	\$ 865,000	\$ 1,049,600	\$ 5,283,600
2014	3,055,000	313,500	880,000	1,032,300	5,280,800
2015	3,215,000	160,750	890,000	1,019,100	5,284,850
2016	-	-	4,390,000	1,001,300	5,391,300
2017	-	-	4,520,000	869,600	5,389,600
2018-2020	-	-	14,680,000	1,492,000	16,172,000
	<u>\$ 9,180,000</u>	<u>\$ 933,250</u>	<u>\$ 26,225,000</u>	<u>\$ 6,463,900</u>	<u>\$ 42,802,150</u>

The Library Board of Trustees authorized the issuance of \$80,000,000 in Library Improvement Bonds in February, 1998. Bonds totaling \$45,000,000 were issued in March, 1998 and the remaining bonds totaling \$35,000,000 were issued in August, 2002. These bonds were for the construction, renovation, and/or repair of Main Library and fifteen of the Library's branch locations.

In 2005 the Library did an advance refunding of the Series 1998A bonds. Outstanding bonds of \$22,515,000 were defeased and \$21,965,000 in new bonds were issued at lower interest rates saving the taxpayers nearly \$897,000 in interest over the life of the issue.

In 2011 the Library did an advance refunding of the Series 2002 bonds. Outstanding bonds of \$27,730,000 were defeased and \$26,225,000 in new bonds were issued at lower interest rates saving the taxpayers over \$2,600,000 over the life of the issue.

**Note 11: 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 the

**Akron-Summit County Public Library**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

**Note 11: Fund Balances** (continued)

resources in the government funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Taylor Lerch Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Unclaimed Funds	\$ 9,182	\$ -	\$ -	\$ -	\$ 9,182
Barber Fund	-	-	-	10,000	10,000
Taylor Lerch Fund	-	-	425,825	-	425,825
Total Nonspendable	<u>9,182</u>	<u>-</u>	<u>425,825</u>	<u>10,000</u>	<u>445,007</u>
Restricted					
Grant Purposes	430	-	-	59,857	60,287
Purchase of Materials	-	-	48,477	691	49,168
Debt Service	-	-	-	6,201	6,201
Total Restricted	<u>430</u>	<u>-</u>	<u>48,477</u>	<u>66,749</u>	<u>115,656</u>
Assigned					
Other Purposes	<u>424,312</u>	<u>-</u>	<u>-</u>	<u>4,021</u>	<u>428,333</u>
Unassigned	<u>3,709,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,709,570</u>
Total Fund Balances	\$ <u>4,143,494</u>	\$ <u>-</u>	\$ <u>474,302</u>	\$ <u>80,770</u>	\$ <u>4,698,566</u>

**Note 12: Leases**

The Library entered into a lease for copiers commencing July 2010 for 36 months and a lease for a vehicle commencing May 2010 for 60 months. The expense for the 2012 lease payments was \$23,277. The future minimum payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 18,419
2014	14,418
2015	4,841
	\$ <u>37,678</u>

**Note 13: Interfund Transactions**

The General Fund transferred \$732 to the Connect Ohio Grant Fund for the Library's matching portion of grant expenses.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Akron-Summit County Public Library  
Summit County  
60 S High Street  
Akron, Ohio 44326

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements governmental activities, each major fund, and the aggregate remaining fund information of the Akron-Summit County Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 11, 2014, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the 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 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 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.

***Compliance and Other Matters***

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looped "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 11, 2014



# Dave Yost • Auditor of State

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

**SUMMIT 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  
DECEMBER 30, 2014**