

**Akron-Summit County Public Library,  
Summit County, Ohio**

**Financial Statements  
December 31, 2011**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Akron-Summit County Public Library, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 10, 2012

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# Akron-Summit County Public Library

For the Year Ended December 31, 2011

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## Independent Auditor's Report

Members of the Board of Trustees  
Akron-Summit County Public Library

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 (the "Library") as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the Library prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of December 31, 2011, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2012, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

As described in Note 3, the Library adopted Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*.

Members of the Board of Trustees  
Akron-Summit County Public Library

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
June 28, 2012



# **Akron-Summit County Public Library**

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

### **For the Year Ended December 31, 2011**

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This discussion and analysis of the Akron-Summit County Public Library's financial performance provides an overall review of the Government's financial activities for the year ended December 31, 2011, within the limitations of the Government's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Government's financial performance.

#### **Highlights**

Key highlights for 2011 are as follows:

- The Library's receipts are primarily from intergovernmental revenues and property taxes. These receipts represent 23.2 percent and 26.5 percent respectively of the total cash received for the Library's government-wide activities during the year.
- The Library refinanced a portion of its Series 2002 debt. The refinancing proceeds and premium accounted for \$29,289,015 of total receipts or 48.9 percent. See Note 11 for further discussion.

#### **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 modified cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts, and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2011

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#### Reporting the Library as a Whole

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

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2011, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments 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 cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 cash 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 Assets 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 and Bond Retirement 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, 2011

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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 assets for 2011 and 2010 on a modified cash basis:

	<u>2011</u>	<u>2010</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,666,707	\$ 3,923,199
Investments	<u>1,000,000</u>	<u>1,000,000</u>
Total assets	<u>5,666,707</u>	<u>4,923,199</u>
Net assets:		
Restricted for:		
Capital project	4,012	4,001
Debt service	397,379	295,833
Permanent fund purpose		
Expendable	63,981	62,604
Non-expendable	435,825	435,825
Other purposes	587,350	724,218
Unrestricted	<u>4,178,160</u>	<u>3,400,718</u>
Total net assets	\$ <u>5,666,707</u>	\$ <u>4,923,199</u>

Net assets of governmental activities increased \$743,508 or 15.1 percent during 2011. The primary reasons contributing to the increase in the cash balance in 2011 was the increase in general receipts primarily from the public library fund.

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2011

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Table 2 reflects the changes in net assets on a modified cash basis in 2011 and 2010 for governmental activities.

(Table 2)  
Changes in Governmental Net Assets

	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 592,591	\$ 616,418
Operating grants and contributions	<u>20,407</u>	<u>54,015</u>
Total program receipts	<u>612,998</u>	<u>670,433</u>
General receipts:		
Property taxes levied for general purposes	10,738,861	9,726,113
Property taxes levied for debt service	5,095,674	5,157,797
Intergovernmental revenues	13,858,141	14,041,407
Unrestricted gifts and contributions	1,846	3,073
Proceeds from issuance of debt	26,225,000	-
Premium on debt	3,064,015	-
Interest	21,345	7,439
Miscellaneous	<u>233,534</u>	<u>259,521</u>
Total general receipts	<u>59,238,416</u>	<u>29,195,350</u>
Total receipts	<u>59,851,414</u>	<u>29,865,783</u>
Disbursements:		
Library services:		
Public service and programs	11,818,491	12,284,410
Collection development and processing	3,807,632	3,976,722
Support services:		
Facilities operation and maintenance	4,617,256	4,622,194
Information services	929,036	870,139
Business administration	2,559,988	2,614,225
Capital outlay	484,784	249,646
Debt service:		
Principal retirement and escrow payment	32,494,097	3,375,000
Interest and fiscal charges	2,110,400	2,229,345
Issuance costs	<u>286,222</u>	<u>-</u>
Total disbursements	<u>59,107,906</u>	<u>30,221,681</u>
Change in net assets	743,508	(355,898)
Net assets at beginning of year	<u>4,923,199</u>	<u>5,279,097</u>
Net assets at end of year	\$ <u>5,666,707</u>	\$ <u>4,923,199</u>

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2011

#### *Governmental Activities*

Program receipts represent 1.0 percent of total receipts and are primarily comprised of patron fines and fees, and contributions and donations.

General receipts represent 99.0 percent of the Library's total receipts, and of this, 26.7 percent are local taxes. State grants and entitlements make up another 23.4 percent of the Library's general receipts. Proceeds and premium on issuance of debt represents 49.4 percent of general receipts. Other miscellaneous receipts are insignificant and somewhat unpredictable revenue sources.

The first column of the Statement of Activities on page 13, 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 Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, Capital Outlay and Debt Service, which account for 20.0 percent, 6.4 percent, 7.8 percent, 1.6 percent, 4.3 percent, 0.8 percent, and 59.1 percent of all Library disbursements, respectively. The next two columns of the Statement titled Program Receipts identify amounts paid by people who are directly charged for the 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 <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Library services:				
Public service and program	\$ 11,818,491	\$ 11,205,493	\$ 12,284,410	\$ 11,613,977
Collection development and processing	3,807,632	3,807,632	3,976,722	3,976,722
Support services:				
Facilities operation and maintenance	4,617,256	4,617,256	4,622,194	4,622,194
Information services	929,036	929,036	870,139	870,139
Business administration	2,559,988	2,559,988	2,614,225	2,614,225
Capital outlay	484,784	484,784	249,646	249,646
Principal retirement	32,494,097	32,494,097	3,375,000	3,375,000
Interest and fiscal charges	2,110,400	2,110,400	2,229,345	2,229,345
Issuance costs	<u>286,222</u>	<u>286,222</u>	-	-
Total expenses	\$ <u>59,107,906</u>	\$ <u>58,494,908</u>	\$ <u>30,221,681</u>	\$ <u>29,551,248</u>

# Akron-Summit County Public Library

## Management's Discussion and Analysis

### For the Year Ended December 31, 2011

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#### The Library's Funds

Total governmental funds receipts including other financing sources were \$59,933,309 and disbursements including other financing uses were \$59,189,801. The General Fund receipts were \$678,626 more than expenditures after other financing sources (uses), and the ending cash fund balance of \$4,663,804 was a result of increased property and other local taxes received and a decrease in disbursements.

#### 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 2011, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts including other financing sources were \$25,250,009, while actual receipts were \$24,751,477, resulting in \$498,532 less revenue than budgeted. Final disbursements including other financing uses were budgeted at the end of the year at \$26,868,661, while actual disbursements were \$24,549,735, resulting in \$2,318,926 less expenditures than budgeted. The result was an overall increase to fund balance of \$201,742 for 2011.

#### Capital Assets and Debt Administration

##### *Debt*

Table 4 shows the Library's outstanding debt of \$39,065,000 at December 31, 2011. This amount consists of bonds issued for improvements to buildings and structures of \$39,065,000. For further information regarding the Library's debt, refer to Note 11 to the basic financial statements.

(Table 4)  
Debt Administration

<u>Type of Debt</u>	<u>Description</u>	<u>Balance Outstanding at December 31, 2011</u>
Bond Issue	Series 2011	\$ 26,225,000
Bond Issue	Series 2005	11,955,000
Bond Issue	Series 2002	885,000
Total Bonds		<u>\$ 39,065,000</u>

##### *Capital Assets*

In early 2005, the Library contracted with a third party to conduct an extensive appraisal of all capital assets in the library system. This report is available for inspection at the office of the Fiscal Officer.

# **Akron-Summit County Public Library**

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

### **For the Year Ended December 31, 2011**

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#### **Current Issues**

The challenge for all 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 increased in 2011 by \$530,000 due to an upturn in economic activity in the State. However we anticipate that with the State's biennial budget effective July 1, 2011 through June 30, 2013, funding will decrease given that the PLF has been targeted with additional cuts in this budget period. Pursuant to this budget Ohio libraries anticipate receiving only 93.5 percent of funds distributed during fiscal 2011, which covers the period that began July 1, 2010 and ends June 30, 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. This levy was expected to provide an additional \$700,000 annually for general operations. Collections increased in 2011 by slightly more than \$1 million. However, this revenue increase was significantly negated by the loss of Tangible Personal Property Tax and utility-oriented tax reimbursement amounts. Additionally, we anticipate a reduction to future collections due to the triennial property reappraisal completed by the county in 2011 and the continued depressed housing market.

With no expectations of increased State funding and the potential for a decline in future levy revenues, the organization continued to reduce expenditures in most categories throughout 2011. Significant reductions to salary expenses have been achieved through workforce attrition and the reorganization of work duties.

In 2011, the Library did an advance refunding of \$27.7 million in outstanding bonds originally approved as a separate bond levy by the taxpayers in 1997 to fund the construction project for Main Library and fifteen branch libraries. Monies collected from this levy are restricted to the payment of the bonds and are not available to fund general operations. However, due to the reduced interest rates on the refinanced issue, taxpayers will save over \$2.6 million from reduced tax collections for this levy.

Even with the challenges at hand, 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 a five-star library 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 Assets – Modified Cash Basis

**December 31, 2011**

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	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,666,707
Investments	<u>1,000,000</u>
Total assets	<u>5,666,707</u>
Net assets:	
Restricted for:	
Capital projects	4,012
Debt service	397,379
Permanent fund purposes:	
Expendable	63,981
Nonexpendable	435,825
Other purposes	587,350
Unrestricted	<u>4,178,160</u>
Total net assets	\$ <u>5,666,707</u>

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



# Akron-Summit County Public Library

## Statement of Activities – Modified Cash Basis

### For the Year Ended December 31, 2011

	Cash <u>Disbursements</u>	Program Cash Receipts		Net (Disbursements)
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Receipts and Changes in Net Assets</u>
				Governmental
				<u>Activities</u>
Governmental activities:				
Library services:				
Public service and programs	\$ 11,818,491	\$ 592,591	\$ 20,407	\$ (11,205,493)
Collection development and processing	3,807,632	-	-	(3,807,632)
Support services:				
Facilities operation and maintenance	4,617,256	-	-	(4,617,256)
Information services	929,036	-	-	(929,036)
Business administration	2,559,988	-	-	(2,559,988)
Capital outlay	484,784	-	-	(484,784)
Principal retirement and escrow payments	32,494,097	-	-	(32,494,097)
Interest and fiscal charges	2,110,400	-	-	(2,110,400)
Issuance costs	<u>286,222</u>	<u>-</u>	<u>-</u>	<u>(286,222)</u>
Total governmental activities	\$ <u>59,107,906</u>	\$ <u>592,591</u>	\$ <u>20,407</u>	<u>(58,494,908)</u>
General receipts:				
Property taxes levied for:				
General purposes				10,738,861
Debt service				5,095,674
Intergovernmental revenues				13,858,141
Unrestricted gifts and contributions				1,846
Proceeds from issuance of debt				26,225,000
Premium on debt				3,064,015
Interest				21,345
Miscellaneous				<u>233,534</u>
Total general receipts				<u>59,238,416</u>
Change in net assets				743,508
Net assets, beginning of year				<u>4,923,199</u>
Net assets, end of year				\$ <u>5,666,707</u>

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

# Akron-Summit County Public Library

## Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds

**December 31, 2011**

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	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 3,840,786	\$ 322,147	\$ 503,774	\$ 4,666,707
Investments	<u>823,018</u>	<u>69,031</u>	<u>107,951</u>	<u>1,000,000</u>
Total assets	\$ <u>4,663,804</u>	\$ <u>391,178</u>	\$ <u>611,725</u>	\$ <u>5,666,707</u>
Fund Balances				
Nonspendable	\$ 6,307	\$ -	\$ 435,825	\$ 442,132
Restricted	282	391,178	175,900	567,360
Assigned	479,055	-	-	479,055
Unassigned	<u>4,178,160</u>	<u>-</u>	<u>-</u>	<u>4,178,160</u>
Total fund balances	\$ <u>4,663,804</u>	\$ <u>391,178</u>	\$ <u>611,725</u>	\$ <u>5,666,707</u>

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

# Akron-Summit County Public Library

## Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds

### For the Year Ended December 31, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and other local taxes	\$ 10,738,861	\$ 5,095,674	\$ -	\$ 15,834,535
Intergovernmental	13,133,970	698,584	25,587	13,858,141
Patrons, fines and fees	592,591	-	-	592,591
Contributions, gifts and donations	8,753	-	13,500	22,253
Interest	19,827	-	1,518	21,345
Miscellaneous	233,534	-	-	233,534
Total receipts	<u>24,727,536</u>	<u>5,794,258</u>	<u>40,605</u>	<u>30,562,399</u>
Disbursements:				
Current:				
Library services:				
Public service and programs	11,809,159	-	9,332	11,818,491
Collection development and processing	3,807,632	-	-	3,807,632
Support services:				
Facilities operation and maintenance	4,576,110	-	41,146	4,617,256
Information services	878,136	-	50,900	929,036
Business administration	2,466,794	91,008	2,186	2,559,988
Capital outlay	484,784	-	-	484,784
Debt service:				
Principal retirement	-	3,495,000	-	3,495,000
Interest and fiscal charges	-	2,110,400	-	2,110,400
Issuance costs	-	286,222	-	286,222
Total disbursements	<u>24,022,615</u>	<u>5,982,630</u>	<u>103,564</u>	<u>30,108,809</u>
Excess of receipts over / (under) disbursements	<u>704,921</u>	<u>(188,372)</u>	<u>(62,959)</u>	<u>453,590</u>
Other financing sources and (uses):				
Proceeds from issuance of debt	-	26,225,000	-	26,225,000
Premium on debt issuance	-	3,064,015	-	3,064,015
Payments to refund escrow	-	(28,999,097)	-	(28,999,097)
Transfers – in	3,800	-	30,095	33,895
Advances – in	24,000	-	24,000	48,000
Transfers – out	(30,095)	-	(3,800)	(33,895)
Advances – out	(24,000)	-	(24,000)	(48,000)
Total other financing sources and (uses)	<u>(26,295)</u>	<u>289,918</u>	<u>26,295</u>	<u>289,918</u>
Net change in fund balances	678,626	101,546	(36,664)	743,508
Fund balances, beginning of year	<u>3,985,178</u>	<u>289,632</u>	<u>648,389</u>	<u>4,923,199</u>
Fund balances, end of year	<u>\$ 4,663,804</u>	<u>\$ 391,178</u>	<u>\$ 611,725</u>	<u>\$ 5,666,707</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 – Budget Basis  
General Fund

**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and other local taxes	\$ 11,901,783	\$ 11,901,783	\$ 10,738,861	\$ (1,162,922)
Intergovernmental	13,312,305	12,719,181	13,133,970	414,789
Patron fines and fees	436,399	435,466	592,591	157,125
Contributions, gifts, and donations	6,446	6,432	8,753	2,321
Interest	11,759	11,734	15,968	4,234
Miscellaneous	171,980	171,613	233,534	61,921
Total receipts	<u>25,840,672</u>	<u>25,246,209</u>	<u>24,723,677</u>	<u>(522,532)</u>
Disbursements:				
Current:				
Library services:				
Public service and programs	12,714,085	12,714,085	11,821,488	892,597
Collection development and processing	4,763,481	4,763,481	4,096,656	666,825
Support Services:				
Facilities operations and maintenance	5,160,998	5,160,998	4,698,020	462,978
Information Services	952,237	952,237	885,226	67,011
Business administration	2,717,983	2,717,983	2,507,217	210,766
Capital outlay	529,782	529,782	487,033	42,749
Total disbursements	<u>26,838,566</u>	<u>26,838,566</u>	<u>24,495,640</u>	<u>2,342,926</u>
Excess receipts (under)/over disbursements	<u>(997,894)</u>	<u>(1,592,357)</u>	<u>228,037</u>	<u>1,820,394</u>
Other financing sources and (uses):				
Transfers – in	-	3,800	3,800	-
Advances – in	-	-	24,000	24,000
Transfer – out	(30,095)	(30,095)	(30,095)	-
Advances – out	-	-	(24,000)	(24,000)
Total other financing sources and (uses)	<u>(30,095)</u>	<u>(26,295)</u>	<u>(26,295)</u>	<u>-</u>
Net change in fund balance	(1,027,989)	(1,618,652)	201,742	1,820,394
Fund balance, beginning of year	2,003,936	2,003,936	2,003,936	-
Prior year encumbrances appropriated	<u>576,445</u>	<u>576,445</u>	<u>576,445</u>	<u>-</u>
Fund balance, end of year	\$ <u>1,552,392</u>	\$ <u>961,729</u>	\$ <u>2,782,123</u>	\$ <u>1,820,394</u>

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

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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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 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 19 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 18 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.

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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### **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 modified cash basis of accounting. This modified 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.

In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

#### **Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of net assets 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 Service 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 modified cash basis or draws from the Library's general receipts.

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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

#### **A. Basis of Presentation (continued)**

##### 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.

##### 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 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.

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

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

#### **C. Basis of Accounting**

The Library's financial statements are prepared using the modified 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.

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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

#### ***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 expenditures plus encumbrances at the level of control selected by the Board of 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 fund level for all other funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Board of Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue 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 permanent 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.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the 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 (contra revenue), respectively. Investment procedures are restricted by the provisions of the Ohio Revised Code.

During 2011, investments included nonnegotiable certificates of deposit. These investments are recorded at cost.

Interest receipts credited to the General Fund during 2011 totaled \$19,827.



# Akron-Summit County Public Library

Notes to the Financial Statements

**For the Year Ended December 31, 2011**

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

### ***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 modified cash basis of accounting.

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

The Library's modified 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 Assets***

Net assets are 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 assets totaling \$435,825 in the Permanent Funds are restricted and non-expendable. Net assets restricted for other purposes include resources restricted for monies donated to the Library to benefit library programs.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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

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

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

***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

***Committed:*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of 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. 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 the Board of Trustees.

***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 resulting from overspending.

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

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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

#### ***L. Subsequent Events***

In preparing these financial statements, the Library has evaluated events and transactions for potential recognition or disclosure through June 28, 2012, the date the financial statements were issued.

### **Note 3: Changes in Accounting Principles**

For fiscal year 2011, the Library implemented Governmental Accounting Standards Board (“GASB”) Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The Library has no such investments and thus, the implementation of this Statement has no impact on the Library’s financial statements or disclosures.

### **Note 4: Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are that the outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and some funds are included in the General Fund (modified cash basis), but have separate legally adopted budgets (budgetary basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$478,919 for the General Fund. Funds with separate legally adopted budgets amounted to \$1,402,762.

# Akron-Summit County Public Library

Notes to the Financial Statements

## For the Year Ended December 31, 2011

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### Note 5: 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 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</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Unclaimed funds	\$ 6,307	\$ -	\$ -	\$ 6,307
Barber fund	-	-	10,000	10,000
Taylor Lerch fund	-	-	425,825	425,825
Total nonspendable	<u>6,307</u>	<u>-</u>	<u>435,825</u>	<u>442,132</u>
<b>Restricted</b>				
Purchase of library materials	282	-	111,127	111,409
Public programs	-	-	54,309	54,309
Early childhood resources lab	-	-	251	251
Debt service	-	391,178	6,201	397,379
Capital improvements	-	-	4,012	4,012
Total restricted	<u>282</u>	<u>391,178</u>	<u>175,900</u>	<u>567,360</u>
<b>Assigned</b>				
Other purposes	<u>479,055</u>	<u>-</u>	<u>-</u>	<u>479,055</u>
<b>Unassigned</b>				
	<u>4,178,160</u>	<u>-</u>	<u>-</u>	<u>4,178,160</u>
<b>Total fund balances</b>	<b>\$ <u>4,663,804</u></b>	<b>\$ <u>391,178</u></b>	<b>\$ <u>611,725</u></b>	<b>\$ <u>5,666,707</u></b>

# Akron-Summit County Public Library

## Notes to the Financial Statements

### **For the Year Ended December 31, 2011**

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#### **Note 6: Deposits and Investments**

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that 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 deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of 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;

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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### **Note 6: Deposits and Investments (continued)**

7. The State Treasurer's investment pool (STAR Ohio), as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in ORC 135.45;
8. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities subject held as collateral for overnight repo (including sweep accounts) or term repo must exceed the principal by at least two percent, and the securities must be marked to market daily. Term repurchase agreements may not exceed 30 days. Any repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the treasurer or an agent designated by the treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction. Reverse repurchase agreements are strictly prohibited.

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 two 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 \$3,085 of undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

#### **A. 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. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution. At year-end, the carrying amount of the Library's deposits was \$4,663,622 and the bank balance was \$4,885,532. Of the bank balance, \$750,000 was covered by federal depository insurance and \$4,135,532 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 105 percent of the deposits being secured.

# Akron-Summit County Public Library

Notes to the Financial Statements

## For the Year Ended December 31, 2011

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### Note 6: Deposits and Investments (continued)

#### *B. Investments*

Investments are reported at cost. As of December 31, 2011, the Library had the following investments:

<u>Description of Investment</u>	<u>Book Value</u>	<u>Percent of Total Portfolio</u>	<u>Maturity</u>
Certificate of Deposit	\$ 250,000	25.00%	03/15/2012
Certificate of Deposit	250,000	25.00%	06/15/2012
Certificate of Deposit	250,000	25.00%	09/05/2012
Certificate of Deposit	<u>250,000</u>	<u>25.00%</u>	<u>09/05/2012</u>
Total Portfolio	\$ <u>1,000,000</u>	<u>100.00%</u>	

**Interest Rate Risk:** This risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short term investments.

**Custodial Credit Risk:** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value or collateral securities that are in possession of an outside party. In order to mitigate this risk, the Library purchases its investments only through an approved broker/dealer or institution. Payment for investments is made only upon delivery of the securities representing the investments to the qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Concentration of Credit Risk:** The Library's investment policy provides for diversification to avoid undue concentration in securities of one type from one financial institution. This restriction does not apply to obligations guaranteed by the U.S. Government. The Library places no limit on the amount it may invest in any one issuer, however, state statutes limits investments in commercial paper and bankers acceptances to 25 percent of the interim monies available for investment at one time.

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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### **Note 7: Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the school districts within Summit County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) are for 2011 taxes.

2011 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by state law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

2011 tangible personal property taxes are levied after October 1, 2010, on the value as of December 31, 2010. Collections are made in 2011. Tangible personal property assessments are 6.25 percent of true value for both capital assets and inventories.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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.

### **Note 8: Risk Management**

During 2011, the Library obtained commercial insurance for the following risks: comprehensive property and general liability, vehicles, errors and omissions, and surety bonds. 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 also provides health, dental, vision, and disability insurances to employees through private carriers.



# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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### **Note 9: Defined Benefit Pension Plans**

#### ***Ohio Public Employees Retirement System***

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

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the Traditional Pension and 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 that may be obtained by writing to OPERS, Attention: Director of Finance, 277 East Town Street, Columbus, Ohio, 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 the year ended December 31, 2011, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2011 was 14 percent. The Library's required contributions for pension obligations for all plans for the years ended December 31, 2011, 2010, and 2009 were \$1,673,561, \$1,733,275, and \$1,840,355 respectively; the full amount has been contributed for 2011, 2010, and 2009.

### **Note 10: Postemployment Benefits**

#### ***Ohio Public Employees Retirement System***

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

# Akron-Summit County Public Library

Notes to the Financial Statements

## **For the Year Ended December 31, 2011**

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### **Note 10: Postemployment Benefits (continued)**

#### ***Ohio Public Employees Retirement System***

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 OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Director of Finance, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care 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 benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Library contributed 14 percent of its covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll for state and local employer units such as the Library. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2011, the employer contribution allocated to the health care for members in the Traditional Pension Plan was 4.0 percent from. The portion of employer contribution allocated to the health care for members in the Combined Plan was 6.05 percent during the calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action.

Employers will be notified of the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the heal care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

# Akron-Summit County Public Library

Notes to the Financial Statements

## For the Year Ended December 31, 2011

### Note 10: Postemployment Benefits (continued)

#### *Ohio Public Employees Retirement System*

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by retirees or surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of employer contributions for health care for years ended December 31, 2011, 2010, and 2009 were \$478,136, \$772,351, and \$901,973, respectively; the full contributions have been made for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

### Note 11: Debt

The Library's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Library improvement bonds						
Series 2002	2.15-5.0%	\$ 29,470,000	\$ -	\$ 28,585,000	\$ 885,000	\$ 885,000
2005 Refunding	3.5-5.0%	14,595,000	-	2,640,000	11,955,000	2,775,000
2011 Refunding	2.0-5.0%	-	26,225,000	-	26,225,000	-
		\$ 44,065,000	\$ 26,225,000	\$ 31,225,000	\$ 39,065,000	\$ 3,660,000

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2011 are as follows:

Year	Series 2002		Series 2005		Series 2011		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 885,000	\$ 48,675	\$ 2,775,000	\$ 597,750	\$ -	\$ 1,274,098	\$ 5,580,523
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
2017-2020	-	-	-	-	19,200,000	2,361,600	21,561,600
	\$ 885,000	\$ 48,675	\$ 11,955,000	\$ 1,531,000	\$ 26,225,000	\$ 7,737,998	\$ 48,382,673

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 \$35,000,000 were issued in August, 2002. These bonds were for the construction, renovation, and/or repair of Main Library and fifteen branches throughout Summit County.

# Akron-Summit County Public Library

Notes to the Financial Statements

## For the Year Ended December 31, 2011

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### **Note 11: Debt (continued)**

Due to lower interest rates, the Board of Trustees approved an advance refunding of the Library's 1998A Series bond issue in 2005, saving the taxpayers nearly \$897,000 (present value) in interest over the life of the bond issue. The Board of Trustees retired \$22,515,000 in debt and reissued approximately \$21,965,000 in debt at significantly lower interest rates. During the refunding process, Moody's upgraded the Library's debt rating from A1 to Aa3.

On September 14, 2011, the Library issued \$26,225,000 in bonds for the purpose of refunding the Series 2002 bonds in order to take advantage of lower interest rates. An analysis of the information follows:

Outstanding at December 31, 2010	\$ 29,470,000
Amount refunded	(27,730,000)
Principal payment on non-refunded portion	<u>(855,000)</u>
Outstanding at December 31, 2011	\$ <u><u>885,000</u></u>

The bonds were sold at a premium of \$3,064,015. Proceeds of \$28,999,097 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various general obligation bonds. As a result, \$27,730,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the Library's financial statements.

The Library decreased its total debt service payments by \$2,603,305 as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$2,278,256.

### **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 2011 lease payments was \$16,656. The future minimum lease payments are as follow:

<u>Year</u>	<u>Amount</u>
2012	\$ 16,656
2013	12,492
2014	8,328
2015	<u>2,776</u>
	\$ <u><u>40,252</u></u>

# Akron-Summit County Public Library

Notes to the Financial Statements

## For the Year Ended December 31, 2011

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### **Note 13: Contingent Liabilities**

The Library is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, believes the resolution of these matters will not materially adversely affect the Library's financial condition.

### **Note 14: Interfund Transactions**

Advances for the year ended December 31, 2011 consisted of the following:

	<u>Advances Out</u>		
	<u>General</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Advances In:			
General Fund	\$ -	\$ 24,000	\$ 24,000
Non-Major Governmental	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total	\$ <u>24,000</u>	\$ <u>24,000</u>	\$ <u>48,000</u>

Transfers for the year ended December 31, 2011 consisted of the following:

	<u>Transfers Out</u>		
	<u>General</u>	<u>Non-Major Governmental</u>	<u>Total</u>
Transfers In:			
General Fund	\$ -	\$ 3,800	\$ 3,800
Non-Major Governmental	<u>30,095</u>	<u>-</u>	<u>30,095</u>
Total	\$ <u>30,095</u>	\$ <u>3,800</u>	\$ <u>33,895</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from Non-Major Governmental to the General Fund was to return funds which were transferred in excess of necessary funds.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Members of the Board of Trustees  
Akron-Summit County Public Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron-Summit County Public Library (the “Library”), as of and for the year ended December 31, 2011, which collectively comprise the Library’s basic financial statements and have issued our report thereon dated June 28, 2012, wherein we noted the Library adopted GASB No. 59 as disclosed in Note 3. 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.

**Internal Control over Financial Reporting**

Management of the Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library’s internal control over financial reporting.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Library’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the Board of Trustees  
Akron-Summit County Public Library

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Library in a separate letter dated June 28, 2012.

This report is intended solely for the information and use of management, members of the Board, the Finance Committee, others within the entity, and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
June 28, 2012

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# 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  
OCTOBER 23, 2012**