



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

MINERVA PUBLIC LIBRARY

STARK COUNTY, OHIO

REGULAR AUDIT
A&A

FOR THE YEARS ENDED

DECEMBER 31, 2012



Dave Yost • Auditor of State

Board of Trustees
Minerva Public Library
677 Lynnwood Drive
Minerva, Ohio 44657

We have reviewed the *Independent Auditor's Report* of the Minerva Public Library, Stark County, prepared by Alger & Associates, LLC, for the audit period January 1, 2012 through December 31, 2012. 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 Minerva 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

August 8, 2014

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MINERVA PUBLIC LIBRARY
STARK COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Minerva Public Library
Stark County
677 Lynnwood Dr.
Minerva, OH 44657

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Minerva Public Library, Stark 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 opinion.

Opinion

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 and each major fund, of Minerva Public Library, Stark County, Ohio, as of December 31, 2012, and the respective changes in modified 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*." We did not modify our opinion regarding this matter.

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 and Analysis includes tables of net position, changes in net position, and governmental activities. 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 and 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 June 18, 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.

**Alger &
Associates Inc**



Digitally signed by Alger &
Associates Inc
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o=Alger & Associates, Inc., ou,
email=galger53@att.net, c=US
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Alger & Associates, Inc.
Certified Public Accountants
North Canton, OH
June 18, 2014

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Minerva Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012

This discussion and analysis of the Minerva Public Library's 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 modified 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 highlights for 2012 are as follows:

- Net position of Library activities increased \$39,947, or 12%.
- The Library's general receipts are primarily from the Public Library Fund (PLF). The amount received from PLF decreased from \$681,814 in 2011 to \$646,039 in 2012.
- Spending on Salaries and Employee Benefits decreased \$12,319 from 2011 to 2012.
- In 2012, an additional \$4,733 was paid for Library Materials and Information as compared to 2011.
- Flooding in the Library's lower level due to a sewer backup caused \$50,667 of expenditures in 2012, of which \$49,667 was reimbursed by the insurance company.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Library Accounting Standards Board Statement No. 34, as applicable to the Library's modified 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 Library's two major funds are the General Fund and the Capital Projects Fund. In 2012, the library had no other funds.

The Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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 per Auditor of State Bulletin 2005-002 and GASB Statement No. 34. 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.

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2012, within the limitations of modified cash basis accounting. The statement of net position 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 for each governmental program activity. 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. 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, you can think of these changes as 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, you should also consider other non-financial factors as well such as the Library's reliance on the State PLF as its primary revenue source, and the lack of any debt obligations.

In the statement of net position and the statement of activities, the governmental activities include the Library's programs and services.

Reporting the Library's Most Significant Funds

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 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 all categorized as 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. In 2012, the Library's major governmental funds are the General Fund and the Capital Projects Fund. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2012, the Library had no non-major funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Minerva Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012

The Library as a Whole

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

(Table 1)

Net Position- Modified cash

| | Governmental Activities | |
|---------------------------|-------------------------|-----------|
| | 2012 | 2011 |
| Assets | | |
| Cash and Cash Equivalents | \$295,956 | \$231,996 |
| Investments | 80,206 | 104,219 |
| Total Assets | \$376,162 | \$336,215 |
| Net Position | | |
| Restricted for: | | |
| Capital Outlay | 53,558 | 58,902 |
| Other Purposes | 1,391 | 0 |
| Unrestricted | 321,213 | 277,313 |
| Total Net Position | \$376,162 | \$336,215 |

As mentioned previously, net position of Library activities increased \$39,947 or 12% during 2012. The primary reasons contributing to this increase in cash balances are as follows:

- Four unpaid furlough days and staff changes resulted in a reduction of \$12,319 in salary and benefit costs from 2011 to 2012.
- New library materials purchases were limited to approximately 13% of PLF funds received. Gifts and contributions received were used for purchase of library materials.
- All operating expenditures were carefully reviewed and kept to the minimum necessary levels.

Minerva Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012

Library as a Whole – (continued)

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

(Table 2)

Changes in Net Position

| | Governmental Activities | |
|--|-------------------------|------------|
| | 2012 | 2011 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | 19,645 | 20,058 |
| Operating Grants and Contributions | 1,090 | 1,265 |
| Total Program Receipts | 20,735 | 21,223 |
| General Receipts: | | |
| Unrestricted Gifts and Contributions | 3,366 | 3,291 |
| Grants and Entitlements Not Restricted to Specific Programs | 646,039 | 682,264 |
| Local Taxes | 5 | 6 |
| Interest | 244 | 271 |
| Miscellaneous | 52,499 | 2,709 |
| Total General Receipts | 702,153 | 688,541 |
| Total Receipts | 722,888 | 709,864 |
| Disbursements: | | |
| Library Services | 633,860 | 637,837 |
| Capital Outlay | 49,081 | 15,060 |
| Total Disbursements | 682,941 | 652,897 |
| Increase in Net Position | 39,947 | 56,967 |

Program receipts represent only 3% of total receipts and are primarily comprised of charges for services and fees on overdue materials. General receipts represent 97% of the Library's total receipts, and of this amount, 92% are unrestricted state entitlements (PLF). In 2012, reimbursement for insurance claims for flooding in the lower level of the library accounted for \$49,667 of Miscellaneous receipts. Other receipts are relatively insignificant percentage-wise and from somewhat unpredictable revenue sources. Of the \$49,081 of Capital Outlay, \$44,140 is for carpet replacement due to flooding.

Governmental Activities

The first column listed on the Statement of Activities shows 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 for library services which account for 93% of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the services and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by taxpayers through

Minerva Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012

the State PLF. These net costs are paid from the general receipts which are presented 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 | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | 2012 | 2012 | 2011 | 2011 |
| Library Services | \$633,860 | \$613,125 | \$637,837 | \$616,514 |
| Capital Outlay | 49,081 | 49,081 | 15,060 | 15,060 |
| Total Expenses | \$682,941 | \$662,206 | \$652,897 | \$631,574 |

The dependence upon general revenue, specifically the State PLF, is indicated by the net cost of services column reflecting the need for \$662,206 of support in 2012, as well as Table 2 demonstrating that general receipts comprise 97% of the Library's total revenues. However, \$44,140 of the \$49,081 of Capital Outlay was reimbursed from insurance claims for flooding.

The Library's Funds

Total governmental funds had receipts of \$722,888 and disbursements of \$682,941. The fund balance of the General Fund increased \$43,962 and the Capital Projects fund balance decreased \$4,015, for a net increase of \$39,947.

General Fund receipts were greater than disbursements by \$43,962. It was the Board's decision that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Spending reductions instituted in earlier years were continued at an appropriate level for 2012. These cost saving measures will not eliminate the need for additional funds (or additional cuts) in the future as the revenue stream decreases, while costs continue to rise.

General Fund Budgeting Highlights

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

Public Library Fund receipts for 2012 decreased 5% from 2011. However, actual revenues were \$4,044 over budget. Expenditures were 12% lower than appropriations. The 2012 unencumbered end-of-year balance for the General Fund is 16% higher than at the close of 2011.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by shrinking funding. We rely heavily on the State PLF. The current estimate from the State indicates an increase of 2.6% from actual 2012 to estimated 2013 PLF distributions. This estimate is based on current legislation which is subject to change before the beginning of the next state biennium.

Minerva Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012

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 Mary Jane Smith, Fiscal Officer, Minerva Public Library, 677 Lynnwood Drive, Minerva, Ohio 44657-1200.

MINERVA PUBLIC LIBRARY, STARK COUNTY

Statement of Net Position - Modified Cash Basis

December 31, 2012

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Equity in Pooled Cash and | |
| Cash Equivalents | \$295,956 |
| Investments | <u>80,206</u> |
| <i>Total Assets</i> | <u><u>\$376,162</u></u> |
| | |
| Net Position | |
| Restricted for: | |
| Capital Projects | \$53,558 |
| Other Purposes | 1,391 |
| Unrestricted | <u>321,213</u> |
| <i>Total Net Position</i> | <u><u>\$376,162</u></u> |

See accompanying notes to the basic financial statements

MINERVA PUBLIC LIBRARY, STARK COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2012

| | <u>Program Cash Receipts</u> | | | Net (Disbursements) Receipts and Changes in Net Position |
|---|-------------------------------|---|---|---|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities | | | | |
| Current: | | | | |
| Library Services: | \$633,860 | \$19,645 | \$1,090 | (\$613,125) |
| Capital Outlay | <u>49,081</u> | | | <u>(49,081)</u> |
| <i>Total Governmental Activities</i> | <u>\$682,941</u> | <u>\$19,645</u> | <u>\$1,090</u> | <u>(\$662,206)</u> |
| | | | | |
| General Receipts: | | | | |
| Other Local Taxes | | | | 5 |
| Unrestricted Gifts and Contributions | | | | 3,366 |
| Grants/Entitlements not Restricted to Specific Programs | | | | 646,039 |
| Earnings on Investments | | | | 244 |
| Miscellaneous | | | | <u>52,499</u> |
| | | | | |
| Total General Receipts | | | | <u>702,153</u> |
| | | | | |
| Change in Net Position | | | | 39,947 |
| | | | | |
| <i>Net Position Beginning of Year</i> | | | | <u>336,215</u> |
| | | | | |
| <i>Net Position End of Year</i> | | | | <u><u>\$376,162</u></u> |

See accompanying notes to the basic financial statements

MINERVA PUBLIC LIBRARY, STARK COUNTY
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2012

| | General | Capital Project Fund | Total Governmental Funds |
|--|------------------|----------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$242,398 | \$53,558 | \$295,956 |
| Investments | 80,206 | 0 | 80,206 |
| <i>Total Assets</i> | <u>\$322,604</u> | <u>\$53,558</u> | <u>\$376,162</u> |
| Fund Balances | | | |
| Restricted | 1,391 | 0 | 1,391 |
| Assigned | 74,592 | 53,558 | 128,150 |
| Unassigned | 246,621 | 0 | 246,621 |
| <i>Total Fund Balances</i> | <u>\$322,604</u> | <u>\$53,558</u> | <u>\$376,162</u> |

See accompanying notes to the basic financial statements

MINERVA PUBLIC LIBRARY, STARK COUNTY

Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

For the Year Ended December 31, 2012

| | General | Capital Project Fund | Total Governmental Funds |
|--|-------------------------|----------------------------|--------------------------------|
| Receipts | | | |
| Property and Other Local Taxes | \$5 | | \$5 |
| Public Library | 646,039 | | 646,039 |
| Patron Fines and Fees | 19,645 | | 19,645 |
| Contributions, Gifts and Donations | 4,456 | | 4,456 |
| Earnings on Investments | 244 | | 244 |
| Miscellaneous | 8,360 | \$44,139 | 52,499 |
| | <u>678,749</u> | <u>44,139</u> | <u>722,888</u> |
| <i>Total Receipts</i> | <u>678,749</u> | <u>44,139</u> | <u>722,888</u> |
| Disbursements | | | |
| Current: | | | |
| Library Services: | 633,860 | | 633,860 |
| Capital Outlay | 927 | 48,154 | 49,081 |
| | <u>634,787</u> | <u>48,154</u> | <u>682,941</u> |
| <i>Total Disbursements</i> | <u>634,787</u> | <u>48,154</u> | <u>682,941</u> |
| <i>Net Change in Fund Balances</i> | 43,962 | (4,015) | 39,947 |
| <i>Fund Balances Beginning of Year</i> | <u>278,642</u> | <u>57,573</u> | <u>336,215</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$322,604</u></u> | <u><u>\$53,558</u></u> | <u><u>\$376,162</u></u> |

See accompanying notes to the basic financial statements

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

| | <u>Budgeted Amounts</u> | | | (Optional) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$25 | \$25 | \$5 | (\$20) |
| Public Library | 646,180 | 646,180 | 646,039 | (141) |
| Patron Fines and Fees | 22,800 | 22,800 | 19,645 | (3,155) |
| Contributions, Gifts and Donations | 5,000 | 5,000 | 4,456 | (544) |
| Earnings on Investments | 500 | 500 | 244 | (256) |
| Miscellaneous | 200 | 200 | 8,360 | 8,160 |
| <i>Total Receipts</i> | <u>674,705</u> | <u>674,705</u> | <u>678,749</u> | <u>4,044</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services: | 723,568 | 723,568 | 639,960 | 83,608 |
| Capital Outlay | 2,500 | 2,500 | 927 | 1,573 |
| <i>Total Disbursements</i> | <u>726,068</u> | <u>726,068</u> | <u>640,887</u> | <u>85,181</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(51,363)</u> | <u>(51,363)</u> | <u>37,862</u> | <u>89,225</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (15,000) | (15,000) | 0 | 15,000 |
| <i>Net Change in Fund Balance</i> | (66,363) | (66,363) | 37,862 | 104,225 |
| <i>Unencumbered Fund Balance Beginning of Year</i> | 271,905 | 271,905 | 271,905 | 0 |
| Prior Year Encumbrances Appropriated | 6,737 | 6,737 | 6,737 | 0 |
| <i>Unencumbered Fund Balance End of Year</i> | <u>\$212,279</u> | <u>\$212,279</u> | <u>\$316,504</u> | <u>\$104,225</u> |

See accompanying notes to the basic financial statements

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Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 – Description of the Library and Reporting Entity

The Minerva Public Library was organized as a school district public library in 1911 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Minerva Local School District Board of Education. 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 and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of 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 solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Minerva Local School District.

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.

The Library participates in one jointly governed organization and one public entity risk pool. Note 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northeast Ohio Regional Library System (NEO-RLS)

Public Entity Risk Pools:

The Ohio Plan

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

Minerva Public Library

Stark County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Minerva 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. The most significant of the Library's accounting policies are described below.

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. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash and investment balances 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 and business-type 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. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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.

Fund Financial Statements

During the year, 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. The Library's two major funds are presented in separate columns.

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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 intergovernmental receipts 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 and reports all financial resources not accounted for and reported 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.

Capital Projects Fund – the Capital Projects Fund accounts for monies committed or assigned by the Board specifically for major capital and technology improvements.

Basis of Accounting

The Library's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, 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 related 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 liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the 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 all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the 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 enacted by the Trustees.

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 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 Trustees during the year.

Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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.

During 2012, investments were limited to a savings account, STAR Ohio and nonnegotiable certificates of deposit.

The library's savings account is recorded at the amount reported by JP Morgan Chase Bank on December 31, 2012.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for. The library's investments in STAR Ohio were withdrawn in May 2012 due to the low interest rate.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Total interest receipts credited to the General Fund during 2012 amounted to \$244.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$1,391 restricted by donors to the General Fund to be used for specific programs, departments or types of purchases.

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.

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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. It also includes the long-term amount of interfund loans.

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 Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change 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 Library 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 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 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 could be used.

Accumulated Leave

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

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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.

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

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 – Change in Accounting Principle

For 2012, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 did not have an effect on beginning net assets as previously reported other than reclassifications between restricted and unrestricted net asset classifications in the governmental activities.

In addition 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 of 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.

Compliance

There were no known compliance issues as of December 31, 2012.

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 – Budget 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 is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balances (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$6,100 for the General Fund.

Minerva Public Library

Stark County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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 deposits that the Board has 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 deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

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 federal government agencies or instrumentalities;
3. 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
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).

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. Payment for investments may be made only upon delivery of securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Minerva Public Library

Stark County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

Note 5 - Deposits and Investments (continued)

At year end, the Library had \$345 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

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.

Investments

As of December 31, 2012, the Library had the following investments:

| Investment | Fair Value |
|------------------------------|------------------|
| JP Morgan Chase Bank Savings | \$221,411 |
| Consumers National Bank CD | 80,206 |
| Total | <u>\$301,617</u> |

Interest Rate Risk -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, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk – Star Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements on ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk – The Library places no limit on the amount it may invest in any one issuer. The following investments represent the percentages of total investments as noted below:

| Investment Issuer | Percentage of Investments |
|-------------------------|---------------------------|
| JP Morgan Chase Bank | 73% |
| Consumers National Bank | 27% |

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - 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. In 2012, the Library continued to be a part of a self-insurance group, obtaining health insurance and property and liability insurance through The Ohio Plan.

The Library contracted with The Ohio Plan (through Whitaker Myers Insurance Agency, Inc.) for coverage including commercial property, general liability, employee benefits liability, auto liability, inland marine, fine arts, boiler systems breakdown, and director's and officers' liability. The Library also contracted for medical, prescription, dental, and vision health insurance through The Ohio Plan (provided through Mutual Health Services).

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. A claim was filed due to the June 9, 2012 flooding of the lower level of the Library. The Library received insurance reimbursement of \$49,667.

The Ohio Plan collects dues based upon premium calculations recovering claims costs and charges and based on actuarial projections and historical cost information. The premiums are adjusted over time so that the internal service fund receipts and disbursements are approximately equal to the claims and costs with reasonable provision for expected future catastrophe losses.

Upon joining The Ohio Plan each member executes a written agreement establishing and maintaining the risk coverage program. The membership document, in conjunction with the Administration Agreement between the Plan and its Administrator, Hylant Administrative Services, Inc. and the Code of Regulations, constitute the Plan's written agreement with its members. Member political subdivisions maintain control and supervision over the program. The Plan is managed by a Board of Directors, which is composed of individual representatives from various Plan members. Participation by Plan members is through attendance at the open meetings of the Plan's Board and/or communication with the Plan agent or Administrator.

Previously, the Library was a consortium member for health insurance through Ohio Employee Benefits Consortium, which was administered by an advisory committee made up of members and governed by the OEBC Board. The OEBC discontinued providing health insurance in 2011.

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.

Note 7 - Defined Benefit Pension Plan

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Minerva Public Library

Stark County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

Note 7 - Defined Benefit Pension Plan (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The Library's 2012 contribution rate was 14 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members 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 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but were subject to change based on action by OPERS Board of Trustees.

The Library's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$46,746, \$45,112, and \$46,080 respectively. There were no employees in the Member-Directed Plan. The full amount has been contributed for 2012, 2011 and 2010.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Note 8 – Postemployment Benefits

Plan Description – 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, multi-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 for qualifying members of both the Traditional and Combined Pension Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the Traditional and Combined Plans must have 10 years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide health care benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Minerva Public Library

Stark County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

Note 8 – Postemployment Benefits (continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

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 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the post-employment benefit plan.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members 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 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 the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

Note 9 – Leases

In 2012, the Library had one ongoing lease agreement with the Auditor of State's Office for Uniform Accounting Network (UAN) software and computer hardware. UAN fees are calculated on the Library's total resources (unencumbered beginning of the year cash balances plus all receipts and other financing sources except interfund advances, transfers, and the proceeds from the sale of bonds, notes and other debt). The total paid for UAN hardware and software during 2012 was \$2,580. Future lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------|
| 2013 | \$3,030 |
| 2014 | <u>2,580</u> |
| Total | <u>\$5,610</u> |

Note 10 – Fund Balances

Fund balance is classified as 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 all governmental funds are presented below:

| Fund Balances | General | Capital Projects | Total |
|-------------------------------------|------------------|---------------------|------------------|
| Restricted for Donations, Grants | \$1,391 | \$0 | \$1,391 |
| Assigned to | | | |
| Other Encumbrances | 6,100 | 0 | 6,100 |
| 2014 Appropriation | 68,492 | 0 | 68,492 |
| Capital Projects | <u>0</u> | <u>53,558</u> | <u>53,558</u> |
| <i>Total Assigned</i> | 74,592 | 53,558 | 128,150 |
| Unassigned | <u>246,621</u> | <u>0</u> | <u>246,621</u> |
| Total Fund Balances | <u>\$322,604</u> | <u>\$53,558</u> | <u>\$376,162</u> |

Minerva Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 10 – Interfund Transfers

There were no interfund transfers in 2012.

Note 11 – Jointly Governed Organizations/Public Entity Risk Pools

The Library is associated with Northeast Ohio Regional Library System (NEO-RLS) which is defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. It has further entered into an agreement for self-funded health insurance through The Ohio Plan. As of April 2007, the Library contracted with The Ohio Plan for property and liability insurance.



ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Minerva Public Library
Stark County
677 Lynnwood Dr.
Minerva, OH 44657

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 of the governmental activities and each major fund of Minerva Public Library, Stark 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 June 18, 2014, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles, and wherein we noted the Library adopted Governmental Accounting Standards Board Statement No. 54. We also noted the Library adopted Governmental Accounting Standards Board Statement No. 63.

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 opinion on the financial statement, 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 statement 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.

**Alger &
Associates Inc**

Digitally signed by Alger & Associates Inc
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c=US
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Alger & Associates, Inc.
Certified Public Accountants
North Canton, OH
June 18, 2014



Dave Yost • Auditor of State

MINERVA PUBLIC LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2014**