

Dave Yost • Auditor of State

**WAYNE COUNTY PUBLIC LIBRARY
WAYNE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Wayne County Public Library
Wayne County
304 N. Market Street
Wooster, Ohio 44691

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne 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 opinions.

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, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne 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.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position, changes in 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 & 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 September 10, 2013, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 10, 2013

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Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

As the management of the Wayne County Public Library, we offer readers of the Library's financial statements this narrative overview and analysis of the Library's financial activities for the year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

- The Library's total net position increased \$131,221 or 3%.
- As of the close of the most recent fiscal year, the fund balance in the Library's general fund was \$3.05 million, a decrease of \$98,894 or (3%), from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net position-modified cash basis presents information on all of the Library's assets, within the limitations of the modified cash basis of accounting. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities-modified cash basis presents information showing how the government's net position changed during the most recent fiscal year, within the limitations of the modified cash basis of accounting.

The government-wide financial statements can be found on pages 14 through 15 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Library maintains 18 individual governmental funds. Information is presented separately in the governmental fund statement of modified cash basis assets and fund balances and in the governmental fund statement of cash receipts, disbursements and changes in modified cash basis fund balances for the General Fund and the Building and Repair Fund. These funds are the Library's major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The Library's fund financial statements begin on page 16.

The Library adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 19 of this report.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

THE LIBRARY AS A WHOLE

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

Table 1
Net Position

	<u>2012</u>	<u>2011*</u>
Assets	<u>\$4,350,637</u>	<u>\$4,219,416</u>
Total Assets	<u><u>\$4,350,637</u></u>	<u><u>\$4,219,416</u></u>
Net Position		
Restricted	\$1,300,338	\$1,277,120
Unrestricted	<u>3,050,299</u>	<u>2,942,296</u>
Total Net Position	<u><u>\$4,350,637</u></u>	<u><u>\$4,219,416</u></u>

* As restated, see Note 15.

Cash balances increased between years due to receipts exceeding disbursements during 2012. Significant changes in receipts and disbursements will be discussed under Table 2.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

Table 2 shows the changes in net position for the year ended December 31, 2012 as compared to 2011.

Table 2
Changes in Net Position

	2012	2011*
Receipts:		
Program Cash Receipts		
Charges for Services and Sales	\$166,945	\$168,093
Total Program Cash Receipts	166,945	168,093
General Receipts		
Taxes	2,219,938	2,245,440
Unrestricted Gifts and Contributions	30,608	126,554
Unrestricted Grants and Entitlements	2,994,634	3,130,108
Interest	15,619	17,398
Other Receipts	46,046	51,533
Total General Receipts	5,306,845	5,571,033
Total Receipts	5,473,790	5,739,126
Disbursements:		
Program Disbursements:		
Public Service and Programs	2,102,061	2,086,388
Collection Development and Processing	1,015,748	1,110,323
Facilities Operation and Maintenance	648,638	638,543
Information Services	341,002	298,255
Business Administration	528,464	523,828
Capital Outlay	246,212	108,097
Debt Service:		
Principal Retirement	255,000	250,000
Interest	205,444	214,506
Total Disbursements	5,342,569	5,229,940
Changes in Net Position	131,221	509,186
Net Position, Beginning of Year - As Restated	4,219,416	3,710,230
Net Position, End of Year	\$4,350,637	\$4,219,416

* As restated, see Note 15.

Total receipts decreased \$265,336. This decrease was due mainly to a decrease in in unrestricted gifts and contributions, unrestricted grants and entitlements, and taxes. Tax receipts decreased due to the elimination of personal property taxes and the hold harmless amounts decreasing. Unrestricted gifts and contributions decreased due to a grant received in 2011 that did not continue in 2012. Unrestricted grants and entitlements decreased due to the PLF grant from the state being reduced in 2012.

Total disbursements increased \$112,629. This increase was due mainly to an increase in information services and capital outlay. The capital outlay disbursements increased due to a purchase of a new Bookmobile. The increase to information services was in part higher due to a contract with CLEVNET.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

General receipts comprise 97% of the Library's receipts with property taxes and unrestricted state entitlements being the primary contributors. Public service and programs, collection development and processing, and facilities operation and maintenance are the major activities of the Library, accounting for 39%, 19% and 12% of total disbursements, respectively. Principal retirement and interest on the bonds accounted for 9% of the total expenses for 2012.

Total Versus Net Cost of Services

The statement of activities-modified cash basis shows the cost of program services and the charges for services, sales and grants associated with those services. Table 3 reflects the cost of program services and the net cost of those services after taking into account the program receipts. The net cost of program services must be supported by general receipts including tax receipts, investment earnings and unrestricted state entitlements.

Table 3

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Disbursements				
Library Services:				
Public Service and Programs	\$2,102,061	\$1,935,116	\$2,086,388	\$1,918,295
Collection Development and Processing	1,015,748	1,015,748	1,110,323	1,110,323
Support Services				
Facilities Operation and Maintenance	648,638	648,638	638,543	638,543
Information Services	341,002	341,002	298,255	298,255
Business Administration	528,464	528,464	523,828	523,828
Capital Outlay	246,212	246,212	108,097	108,097
Debt Service				
Principal Retirement	255,000	255,000	250,000	250,000
Interest	205,444	205,444	214,506	214,506
Total Disbursements	<u>\$5,342,569</u>	<u>\$5,175,624</u>	<u>\$5,229,940</u>	<u>\$5,061,847</u>

The Library's reliance on general receipts is indicated by the net cost of services column reflecting the need for \$5.2 million of support as well as Table 2 on the preceding page demonstrating that general receipts comprise 97% of the Library's total receipts.

THE LIBRARY'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current year, the Library's governmental funds reported combined ending fund balances of \$4.35 million, an increase of \$131,221 in comparison with the prior year. Approximately 60% of this amount (\$2.6 million) constitutes unassigned fund balance, which is available for spending at the Library's discretion. The remainder of fund balance is either nonspendable, restricted, assigned or committed to indicate that it is not available for new spending.

Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2012 and 2011.

	<u>Fund Balance December 31, 2012</u>	<u>Fund Balance 12/31/2011*</u>	<u>Increase (Decrease)</u>
General	\$3,050,299	\$3,149,193	(\$98,894)
Building and Repair	546,760	360,266	186,494
Other Governmental	753,578	709,957	43,621
Total	<u>\$4,350,637</u>	<u>\$4,219,416</u>	<u>\$131,221</u>

* As restated, see Note 15.

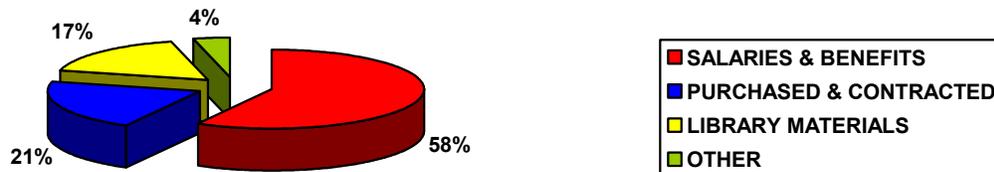
The General Fund is the chief operating fund of the Library. At the end of the current year, unassigned fund balance of the General Fund was \$2.6 million, while total fund balance reached \$3.05 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 57% of total general fund disbursements, while total fund balance represents 66% of that same amount.

The tables and graphs that follow assist in illustrating the financial activities and corresponding increase in fund balance of the Library's General Fund.

General Fund Receipts Comparative Analysis

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Percentage Change</u>
Revenues:			
General Taxes	\$1,788,947	\$1,809,751	(1.1%)
Intergovernmental	2,934,497	3,069,525	(4.4%)
Other	245,618	262,714	(6.5%)
Total	<u>\$4,969,062</u>	<u>\$5,141,990</u>	(3.4%)

As the graph below illustrates, the largest portions of General Fund disbursements are for salaries and fringe benefits. The Library is a service entity and as such is labor intensive.



Wayne County Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

	2012 Amount	2011 Amount	Dollar Change	Percent Change
Expenditures by Object:				
Salaries & Benefits	\$2,681,006	\$2,625,650	\$55,356	2.11%
Purchased Services	971,942	986,632	(14,690)	-1.49%
Library Materials	767,248	855,866	(88,618)	-10.35%
Other	197,760	194,375	3,385	1.74%
Total	\$4,617,956	\$4,662,523	(\$44,567)	-0.96%

GENERAL FUND BUDGET INFORMATION

The Library's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The Library's final General Fund estimated receipts exceeded actual receipts by \$47,850, or 1%, and the final amended appropriation measure exceeded actual budgetary expenditures by \$206,733, or 4%.

DEBT

On November 8, 2005, the voters of Wayne County approved the issuance of bonds for the purpose of constructing, furnishing, equipping and otherwise improving new library facilities and improving their sites. The \$6,000,000 Library Improvement Bonds were sold and issued in June 2006. At December 31, 2012, the balance of these bonds was \$4,495,000. Additional information regarding debt is reported in Note 7 to the basic financial statements.

RESTRICTIONS AND OTHER LIMITATIONS

A major challenge facing the Library is the uncertainty in the future of state funding.

The Library is in the middle of the current biennium budget and the revenue from the PLF is set for 2012 and the first six months of 2013. Funding for the PLF is set to go back to the statutory for the last six months of 2013. It is not practicable to estimate revenues beyond that point in time.

CONTACTING THE LIBRARY

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact the Fiscal Officer, 304 N. Market Street, Wooster, Ohio 44691-1351.

Wayne County Public Library
Statement of Net Position - Modified Cash Basis
December 31, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,929,778
Investments	1,420,859
<i>Total Assets</i>	\$4,350,637
Net Position	
Restricted for:	
Permanent Fund:	
Non-expendable	\$24,200
Expendable	13,970
Capital Projects	1,098,465
Debt Service	108,899
Other Purposes	54,804
Unrestricted	3,050,299
<i>Total Net Position</i>	\$4,350,637

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2012

	Cash	Program Cash Receipts	Net (Disbursements)
	Disbursements	Charges for Services and Sales	Receipts and Changes in Net Position
			Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$2,102,061	\$166,945	(\$1,935,116)
Collection Development and Processing	1,015,748	0	(1,015,748)
Support Services:			
Facilities Operation and Maintenance	648,638	0	(648,638)
Information Services	341,002	0	(341,002)
Business Administration	528,464	0	(528,464)
Capital Outlay	246,212	0	(246,212)
Debt Service:			
Principal Retirement	255,000	0	(255,000)
Interest	205,444	0	(205,444)
<i>Total Governmental Activities</i>	<u>\$5,342,569</u>	<u>\$166,945</u>	<u>(5,175,624)</u>
General Receipts			
Property Taxes Levied for General Purposes			1,788,947
Property Taxes Levied for Library Construction			430,991
Unrestricted Gifts and Contributions			30,608
Grants and Entitlements not Restricted to Specific Programs			2,994,634
Interest			15,619
Miscellaneous			46,046
<i>Total General Receipts</i>			<u>5,306,845</u>
Change in Net Position			131,221
<i>Net Position Beginning of Year - As Restated</i>			<u>4,219,416</u>
<i>Net Position End of Year</i>			<u>\$4,350,637</u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2012

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,215,764	\$213,647	\$500,367	\$2,929,778
Investments	834,535	333,113	253,211	1,420,859
<i>Total Assets</i>	<u>\$3,050,299</u>	<u>\$546,760</u>	<u>\$753,578</u>	<u>\$4,350,637</u>
Fund Balances				
Nonspendable	\$0	\$0	\$24,200	\$24,200
Restricted	0	0	123,973	123,973
Committed	242,277	546,760	605,405	1,394,442
Assigned	185,463	0	0	185,463
Unassigned	2,622,559	0	0	2,622,559
<i>Total Fund Balances</i>	<u>\$3,050,299</u>	<u>\$546,760</u>	<u>\$753,578</u>	<u>\$4,350,637</u>

See accompanying notes to the basic financial statements.

Wayne County Public Library
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Building and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,788,947	\$0	\$430,991	\$2,219,938
Intergovernmental	2,934,497	0	60,137	2,994,634
Patron Fines and Fees	166,945	0	0	166,945
Contributions, Gifts and Donations	30,608	0	0	30,608
Earnings on Investments	8,661	4,019	2,939	15,619
Miscellaneous	39,404	0	6,642	46,046
<i>Total Receipts</i>	<u>4,969,062</u>	<u>4,019</u>	<u>500,709</u>	<u>5,473,790</u>
Disbursements				
Library Services:				
Public Service and Programs	2,101,911	0	150	2,102,061
Collection Development and Processing	988,793	18,540	8,415	1,015,748
Support Services:				
Facilities Operation and Maintenance	648,638	0	0	648,638
Information Services	341,002	0	0	341,002
Business Administration	528,436	0	28	528,464
Capital Outlay	9,176	48,985	188,051	246,212
Debt Service:				
Principal Retirement	0	0	255,000	255,000
Interest	0	0	205,444	205,444
<i>Total Disbursements</i>	<u>4,617,956</u>	<u>67,525</u>	<u>657,088</u>	<u>5,342,569</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	351,106	(63,506)	(156,379)	131,221
Other Financing Sources (Uses)				
Transfers In	0	250,000	200,000	450,000
Transfers Out	(450,000)	0	0	(450,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(450,000)</u>	<u>250,000</u>	<u>200,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(98,894)	186,494	43,621	131,221
<i>Fund Balances Beginning of Year - As Restated</i>	<u>3,149,193</u>	<u>360,266</u>	<u>709,957</u>	<u>4,219,416</u>
<i>Fund Balances End of Year</i>	<u>\$3,050,299</u>	<u>\$546,760</u>	<u>\$753,578</u>	<u>\$4,350,637</u>

See accompanying notes to the basic financial statements.

Wayne 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,810,100	\$1,809,000	\$1,788,947	(\$20,053)
Intergovernmental	2,929,996	2,931,011	2,934,497	3,486
Patron Fines and Fees	169,210	169,269	166,945	(2,324)
Contributions, Gifts and Donations	12,496	12,500	0	(12,500)
Earnings on Investments	11,896	11,900	8,064	(3,836)
Miscellaneous	52,009	52,027	39,404	(12,623)
<i>Total Receipts</i>	4,985,707	4,985,707	4,937,857	(47,850)
Disbursements				
Library Services:				
Public Service and Programs	2,145,472	2,145,472	2,168,262	(22,790)
Collection Development and Processing	1,144,013	1,144,013	1,013,053	130,960
Support Services:				
Facilities Operation and Maintenance	715,315	721,640	651,962	69,678
Information Services	368,553	368,553	352,318	16,235
Business Administration	604,477	607,277	558,968	48,309
Capital Outlay	9,500	9,500	45,159	(35,659)
<i>Total Disbursements</i>	4,987,330	4,996,455	4,789,722	206,733
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,623)	(10,748)	148,135	158,883
Other Financing Sources (Uses)				
Transfers Out	(450,000)	(450,000)	(450,000)	0
<i>Total Other Financing Sources (Uses)</i>	(450,000)	(450,000)	(450,000)	0
<i>Net Change in Fund Balance</i>	(451,623)	(460,748)	(301,865)	158,883
<i>Unencumbered Fund Balance Beginning of Year - As Restated</i>	2,660,810	2,660,810	2,660,810	0
<i>Prior Year Encumbrances Appropriated</i>	207,817	207,817	207,817	0
<i>Unencumbered Fund Balance End of Year</i>	\$2,417,004	\$2,407,879	\$2,566,762	\$158,883

See accompanying notes to the basic financial statements.

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

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Wayne County Public Library was organized as a public library under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed under the laws of the State of Ohio. 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 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 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The most significant of the Library's accounting principles are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position-modified cash basis and a statement of activities-modified cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position-modified cash basis and the statement of activities-modified cash basis 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 receipts and other non-exchange transactions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The statement of net position-modified cash basis presents the cash balance of the governmental activities of the Library at year end. The statement of activities-modified cash basis 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. 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. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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. Each major fund is presented in a separate column. Non-major 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 (e.g. grants), and other non-exchange 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:

The *General Fund* is the library's primary operating fund. It accounts for all financial resources of the general government not accounted for and reported in another fund.

The *Building and Repair Fund* is used to account for resources and expenditures for the repair of Library buildings. The main source of revenue for the current year was transfers from the General Fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 expenses and liabilities) are not recorded in these financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's 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 level for all 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 cash receipts for the year. These estimated receipts, together with 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 Clerk. 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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

While the Library is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

One of the differences between the budget basis and modified cash basis is that in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a restriction, commitment or assignment of fund balance for governmental funds (modified cash basis).

The adjustment necessary to convert the results of operations for the year ended December 31, 2012, on the modified cash basis are as follows:

Net Change in Fund Balance	
	<u>General</u>
Modified Cash Basis	(\$98,894)
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(17,508)
Encumbrances	<u>(185,463)</u>
Budget Basis	<u>(\$301,865)</u>

The Board must annually approve the appropriation measure and subsequent amendments. Unencumbered appropriations do not lapse at year end and therefore are not re-appropriated in the following year. Budgetary expenditures (that is, disbursements plus encumbrances) may not exceed appropriations at the fund level, which is the Library's legal level of control.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

The Library's investment in federal agency securities is reported at cost. The Library's investments in STAR Ohio (the State Treasurer's Investment Pool) and money market mutual funds are reported at the value of their shares, which approximates cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund, the Building Fund and other governmental funds during 2012 amount to \$8,661, \$4,019 and \$2,939, respectively.

F. Net Position

Net position represents the difference between assets and liabilities. However, under the modified cash basis of accounting no liabilities are recorded. Therefore, Equity in Pooled Cash and Cash Equivalents and Investments equal Net Position. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes reflects balances in funds that account for grant monies.

The Library applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

No restricted net position is restricted by enabling legislation.

G. 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 classification includes amounts that cannot be spent because they are not in the spendable form, or 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 a formal action (resolution) of the Library Board. Those committed amounts cannot be used for any other purpose unless the Library Board 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 policies of the Library Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance (Continued)

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 for specific purposes for which amounts had been restricted, committed, or assigned.

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.

H. Capital Assets

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected in the accompanying financial statements as assets.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the Library 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

3. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
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);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$1,625 in undeposited cash on hand which is included as part of "*Equity in Pooled Cash and Cash Equivalents*" on the financial statements.

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the Library's deposits was \$2,928,151 and the bank balance was \$2,997,027. Of the bank balance, \$2,856,130 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. The Library does not have an investment policy addressing custodial credit risk for deposits beyond the requirements of the Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

3. DEPOSITS AND INVESTMENTS (Continued)

Investments – The Library’s investment policy is limited to complying with state statute. As of December 31, 2012, the Library had the following investments and maturities:

Investment Type	Cost Basis	Less Than	
		1 Year	1 to 5 Years
Federal Farm Credit Bank	\$500,000	\$0	\$500,000
Federal Home Loan Bank	886,849	0	886,849
First American Prime Obligations MMF	26,599	26,599	0
Star Ohio	7,411	7,411	0
Total	\$1,420,859	\$34,010	\$1,386,849

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk – Standard and Poor’s has assigned an investment rating of AAAM to Star Ohio and Aaa to the U.S. Treasury Money Market. Moody’s has assigned Aaa to the Federal Farm Credit Bank and the Federal Home Loan Bank. Standard and Poor’s has assigned an investment rating of AAAM to the First American Money Market. The Library’s investment policy does not limit exposure to credit risk.

Concentration of Credit Risk – The Library’s investment policy places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the Library at December 31, 2012:

Investment Type	Fair Value	% of Total	Cost Basis	% of Total
Federal Farm Credit Bank	\$500,010	35.37%	\$500,000	35.19%
Federal Home Loan Bank	879,758	62.23%	886,849	62.42%
First American Prime Obligations MMF	26,599	1.88%	26,599	1.87%
Star Ohio	7,411	.52%	7,411	.52%
Total	\$1,413,778	100.0%	\$1,420,859	100.0%

Custodial Credit Risk - The Library's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the Library's investments are held in the name of the Library.

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Public Library Fund (PLF). The PLF is allocated to each county based on the county’s prior intangibles tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

- A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:
- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
 - 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
 - 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. 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.
- C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The member contribution rates for 2012, 2011, and 2010 were 10.0%, 10.0%, and 10.0%, respectively, for members in state and local classifications

The employer contribution rates were 14.0%, 14.0%, and 14.0%, respectively, for state and local employers and 18.1%, 18.1% for the years ended December 31, 2012, 2011, and 2010 for the Library.

5. DEFINED BENEFIT PENSION PLAN (Continued)

The Library's contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$294,980, \$287,159, and \$270,876, respectively, which were equal to the required contributions for those years.

6. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – 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 healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 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 No. 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

- B. 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

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

6. POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012 and 2011, the employer contributions allocated to the health care for members in the Traditional was 4.0%. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011. For 2010, the employer contributions allocated to the health care plan from January 1 through February 28, 2010 and March 1 through December 31, 2010 were 5.5% and 5.0%, respectively. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

- C. The employer contributions that were used to fund post-employment benefits were \$84,275 for 2012, \$82,041 for 2011, and \$98,346 for 2010.
- D. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

7. DEBT

In 2006 the Library issued Library Improvement Bonds in the amount of \$6,000,000 for the construction of a new Library. As of December 31, 2012, principal outstanding was \$4,495,000.

A summary of bond transactions for the year ended December 31, 2012 follows:

	Interest Rate	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Due Within One Year
Governmental Activities:						
Library Improvement Bond 2006 Issue	4.379%	\$4,750,000	\$0	\$255,000	\$4,495,000	\$270,000

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

7. DEBT (Continued)

The annual requirement to amortize debt outstanding as of December 31, 2012 is as follows:

2006 Library Improvement Bonds			
Year Ending December 31	Principal	Interest	Total
2013	\$270,000	\$195,244	\$465,244
2014	280,000	184,444	464,444
2015	290,000	173,244	463,244
2016	300,000	161,644	461,644
2017	315,000	149,644	464,644
2018-2022	1,775,000	542,345	2,317,345
2023-2025	1,265,000	121,838	1,386,838
Total	\$4,495,000	\$1,528,403	\$6,023,403

8. LEASE OBLIGATIONS

The Library has entered into the following operating lease agreements:

Real Estate – The Library leases real estate located on East Buckeye Street in West Salem for a total cost of \$1,075 a month. The lease shall continue until terminated upon 90 days’ notice by either party to the other party.

Copier Leases – The Library leases several copiers for a total cost of \$12,999 per year. The lease expires in August of 2016. The Library also leases a copier for the Operations Center for a total cost of \$8,860. The lease expires in September of 2014.

Postage Meter – The Library leases a postage meter for a total cost of \$239 for the year.

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

9. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. During 2012, the Library contracted with the Cincinnati Insurance Company for various types of insurance coverage as follows:

Coverage	Limit
Commercial Property:	
Building	\$17,909,389
Personal Property	1,585,536
Automobile Liability:	
Bodily Injury (each occurrence)	1,000,000
Uninsured Motorists	2,000,000
Public Officials Liability	2,000,000
Commercial Umbrella Liability:	
Each Occurrence	1,000,000
General Aggregate	2,000,000
Employee Benefit Liability:	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Liability Defense:	
Bodily Injury – Each Employee	1,000,000
Aggregate	1,000,000

Settled claims have not exceeded coverage in any of the last three years. The Library had no significant changes to its coverage from the prior year.

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

10. INTERFUND TRANSFERS

The Library uses interfund transfers to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Interfund transfers during 2012 were as follows:

	Transfers In	Transfers Out
Major Funds:		
General	\$0	\$450,000
Building and Repair	250,000	0
Nonmajor Funds:		
Vehicle Replacement	100,000	0
Technology	100,000	0
Total Nonmajor Funds	200,000	0
Totals	\$450,000	\$450,000

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

11. EMPLOYEE BENEFITS

A. Deferred Compensation Plan

Employees of the Library may elect to participate in the Ohio Public Employees deferred compensation plan. Under this program, employees elect to defer a portion of their pay. The deferred pay and any income earned on it are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

B. Compensated Absences

For regular full-time employees, vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on a biweekly basis and allows the unused balance to be accumulated at levels which depend upon years of service. Library employees are paid for earned, unused vacation leave at the time of termination of employment.

Regular full-time employees are entitled to ten (10) hours of sick leave for each completed month of service. Unused sick leave may be accumulated without limit and carried over from year to year. Any retiring employee, who has worked for the Library for at least five (5) years, may be paid for unused sick leave in the amount of 25 percent of accrued sick leave not to exceed 240 hours. To receive payment, the employee's retirement must be authorized by OPERS.

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

Fund Balances	General	Building and Repair	All Other Governmental	Total Governmental Funds
Nonspendable				
Endowments	\$0	\$0	\$24,200	\$24,200
Restricted for				
Permanent Expendable	0	0	13,970	13,970
Other Purposes	0	0	1,104	1,104
Debt Services Payments	0	0	108,899	108,899
Total Restricted	<u>0</u>	<u>0</u>	<u>123,973</u>	<u>123,973</u>
Committed to				
Building Repair	0	546,760	0	546,760
Technology	0	0	368,764	368,764
Vehicle Replacement	0	0	182,941	182,941
Other Purposes	242,277	0	53,700	295,977
Total Committed	<u>242,277</u>	<u>546,760</u>	<u>605,405</u>	<u>1,394,442</u>
Assigned to				
Other Purposes	185,463	0	0	185,463
Unassigned (Deficit)	<u>2,622,559</u>	<u>0</u>	<u>0</u>	<u>2,622,559</u>
Total Fund Balances	<u><u>\$3,050,299</u></u>	<u><u>\$546,760</u></u>	<u><u>\$753,578</u></u>	<u><u>\$4,350,637</u></u>

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Dave Yost • Auditor of State

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

Wayne County Public Library
Wayne County
304 North Market St.
Wooster, Ohio 44691

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, each major fund, and the aggregate remaining fund information of the Wayne County Public Library, Wayne 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 September 10, 2013, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 10, 2013



Dave Yost • Auditor of State

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WAYNE 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
SEPTEMBER 19, 2013**