



Dave Yost • Auditor of State

**MEDINA COUNTY DISTRICT LIBRARY
MEDINA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Medina County District Library
Medina County
210 South Broadway Street
Medina, Ohio 44256

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 Medina County District Library, Medina County, Ohio, (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County District Library, Medina County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparisons for the General Fund thereof for the years 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.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the Library restated its General Fund and Other Governmental Funds' fund balances for fund-type classification revisions.

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 and changes in net position, 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 May 12, 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.

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

May 12, 2014

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Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

This discussion and analysis of the Medina County District Library's (Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2013 and 2012, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2013 and 2012 are as follows:

In 2013, net position of governmental activities decreased \$1,578,655 or 12.5 percent. In 2012, net position increased \$352,826 or 2.8 percent.

The Library's general receipts are primarily the Public Library Fund, Property Taxes, and Intergovernmental receipts. These receipts represent 96 percent of the total cash received for governmental activities for both 2013 and 2012. Public Library Fund receipts increased by \$83,366 in 2013 and decreased by \$182,406 in 2012. This fluctuation is due to the freezing of library funding by the State for the past several years, and the return of public library funding as a percentage of the State's General Revenue Fund receipts in July of 2013.

In late 2012, the Library restored hours open to the public, most staffing hours that were reduced in 2010, and increased services, programs and materials purchases. Also in 2013, the Library began a major repair and renovation project at the Lodi Library branch. Construction is expected to be completed in the spring of 2014. These changes resulted in increases in nearly all disbursements in 2013 as compared to 2012. Disbursements in 2012 decreased from 2011, which was primarily due to the Library's debt refinancing disbursements in 2011.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

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

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

The notes to the 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.

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Using the Basic Financial Statements (Continued)

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2013 and 2012, within the limitations of 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. 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 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 nonfinancial factors as well such as the state's funding levels, the increase/decrease of memberships, the extent of participation in the Library's activities from members and non-members. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

In the statement of net position and the statement of activities, the Library has one type of activity:

Governmental activities. All of the Library's basic services are reported here, including library services, support services, and capital outlay. The Public Library Fund finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all in the governmental category.

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Reporting the Library's Most Significant Funds (Continued)

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library had two major governmental funds in both 2013 and 2012 – the General Fund and the Debt Service Fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 and 2012 compared to 2011 on a cash basis:

(Table1)

	<u>Net Position</u>		
	<u>12/31/2013</u>	<u>Governmental Activities</u>	
		<u>12/31/2012</u>	<u>12/31/2011</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$11,033,094</u>	<u>\$12,611,749</u>	<u>\$12,258,923</u>
Net Assets			
Restricted for:			
Capital Projects	\$45,990	\$984,316	\$2,302,890
Debt Service	1,798,549	1,773,041	1,756,743
Permanent Fund:			
Expendable	29,415	29,460	29,214
Nonexpendable	12,373	12,273	12,273
Other Purposes	-	-	1,221,856
Unrestricted	<u>9,146,767</u>	<u>9,812,659</u>	<u>6,935,947</u>
<i>Total Net Position</i>	<u>\$11,033,094</u>	<u>\$12,611,749</u>	<u>\$12,258,923</u>

As mentioned previously, net position of governmental activities decreased \$1,578,655 or 12.5 percent in 2013. In 2012, net position increased \$352,826 or 2.8 percent. In late 2012, the library system restored hours open to the public, most staffing hours that were reduced in 2010, and increased services, programs and materials. These changes resulted in increases in nearly all expenses in 2013 as compared to 2012. Disbursements in 2012 decreased compared to 2011, which was primarily due to the Library's debt refinancing disbursements in 2011.

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Table 2 reflects the changes in net position in 2013 compared to 2012, and 2012 compared to 2011.

(Table 2)

**Governmental Activities
Changes in Net Assets
For the Year Ended December 31,**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 274,995	\$ 311,013	\$ 290,635
Operating Grants and Contributions	<u>3,339</u>	<u>3,934</u>	<u>-</u>
Total Program Receipts	278,334	314,947	290,635
General Receipts:			
Public Library Fund	3,123,044	3,039,678	3,222,084
Property Taxes Levied for General Purposes	4,242,917	4,228,707	4,309,407
Property Taxes Levied for Debt Service	2,749,535	2,758,164	2,703,845
Unrestricted Gifts and Contributions	48,884	38,638	27,021
Grants and Entitlements not Restricted	972,581	1,034,161	954,089
Sale of Bonds	-	-	25,020,000
Premium and Accrued Interest on Bond	-	-	2,683,605
Earnings on Investments	30,352	30,629	29,839
Miscellaneous	<u>71,786</u>	<u>58,063</u>	<u>56,903</u>
Total General Receipts	<u>11,239,099</u>	<u>11,188,040</u>	<u>39,006,793</u>
Total Receipts	<u>11,517,433</u>	<u>11,502,987</u>	<u>39,297,428</u>
Disbursements:			
Current:			
Library Services:			
Public Services and Programs	3,703,020	3,415,407	4,943,858
Collection Development and Processing	2,031,168	1,656,156	888,147
Support Services:			
Facilities Operation and Maintenance	955,213	953,832	723,239
Information Services	208,425	233,939	127,338
Business Administration	2,131,096	1,396,357	510,964
Capital Outlay	1,008,503	424,809	449,866
Debt Service:			
Principal Retirement	2,035,000	2,015,000	1,770,000
Payment of Refunding to Escrow Agent	-	-	27,445,710
Interest and Fiscal Charges	<u>1,023,663</u>	<u>1,054,661</u>	<u>1,747,058</u>
Total Disbursements	<u>13,096,088</u>	<u>11,150,161</u>	<u>38,606,180</u>
Change in Net Position	(1,578,655)	352,826	691,248
Net Position Beginning of Year	<u>12,611,749</u>	<u>12,258,923</u>	<u>11,567,675</u>
Net Position End of Year	<u>\$11,033,094</u>	<u>\$12,611,749</u>	<u>\$12,258,923</u>

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

The Library as a Whole (Continued)

Program receipts represent less than 3 percent in 2013 and 2012 of total receipts and are primarily composed of fees associated with library services and overdue library materials fines.

Public Library Fund and Property Tax receipts, respectively, represent 27 and 61 percent in 2013 and 26 and 61 percent in 2012 of total receipts.

Governmental Activities

On the Statement of Activities on page 14 and 19, the first column lists the major services provided by the Library. The next column identifies the costs of providing these services.

In 2013, the major program disbursements for governmental activities are for Public Services and Programs, Business Administration, and Collection Development and Processing which account for 36, 21, and 20 percent (excluding debt service) of all governmental disbursements, respectively.

In 2012, the major program disbursements for governmental activities are for Public Services and Programs, Business Administration, and Collection Development and Processing, which account for 42, 5, and 20 percent of all governmental disbursements (excluding debt service), respectively.

The next column of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the 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 local taxpayers. 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 and Net Cost of Services
For the Year Ended December 31,

	2013		2012	
	<u>Total Cost</u>	<u>Net Costs</u>	<u>Total Cost</u>	<u>Net Costs</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Disbursements:				
Current:				
Library Services:				
Public Services and Programs	\$3,703,020	\$3,424,686	\$3,415,407	\$3,100,460
Collection Development and Processing	2,031,168	2,031,168	1,656,156	1,656,156
Support Services:				
Facilities Operation and Maintenance	955,213	955,213	953,832	953,832
Information Services	208,425	208,425	233,939	233,939
Business Administration	2,131,096	2,131,096	1,396,357	1,396,357
Capital Outlay	1,008,503	1,008,503	424,809	424,809
Debt Service:				
Principal Retirement	2,035,000	2,035,000	2,015,000	2,015,000
Interest and Fiscal Charges	<u>1,023,663</u>	<u>1,023,663</u>	<u>1,054,661</u>	<u>1,054,661</u>
Total Disbursements	<u>\$13,096,088</u>	<u>\$12,817,754</u>	<u>\$11,150,161</u>	<u>\$10,835,214</u>

Medina County District Library
Management's Discussion and Analysis
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Unaudited

The dependence upon tax receipts and the Public Library Fund and other general revenues for governmental activities is demonstrated in the above tables. About 98 percent of disbursements are supported through the Public Library Fund, tax receipts and other general revenues in 2013 and 2012.

In 2013, the Library's funds had receipts of \$11.5 million and disbursements of \$13.1 million. The General Fund's fund balance decreased \$210,280 due to the increase in expenditures for expanded operating hours. The Debt Service Fund's fund balance increased \$25,509 due to continued savings from debt refinancing in 2011.

In 2012, total governmental funds had receipts of \$11.5 million and disbursements of \$11.1 million. The General Fund's fund balance increased \$840,758 as the result of a decrease in Public Services and Programs for most of the year. The Debt Service Fund's fund balance increased \$16,298 due to savings from debt refinancing in 2011.

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 funds is the General Fund.

During 2013, the Library amended its General Fund disbursement budget, increasing it by \$780,234 for a major renovation project. The difference between final budgeted receipts and actual receipts was \$227,993, due to conservative budgeting. Final disbursements were budgeted at about \$9.9 million while actual disbursements were \$9.7 million.

During 2012, the Library did not amend its General Fund budget; therefore the original and final receipt and disbursements budgets reflect the same amounts. The difference between final budgeted receipts and actual receipts was \$243,324. Final disbursements were budgeted at \$8.03 million while actual disbursements were \$7.8 million. The variance between the actual and budgeted receipts and disbursements is due to the conservative budgeting.

The Library kept spending well within total budgeted amounts and had budgetary fund balance of \$7.6 million for 2013 and \$8.6 million for 2012.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently record or account for depreciation of its capital assets.

Debt

At December 31, 2013, the Library's outstanding debt included \$24,734,993 in general obligation and capital appreciation bonds for renovations to three buildings and construction of three new buildings. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library heavily depends on receipts from the Public Library Fund and Property Taxes. With the uncertainty of the Public Library Fund distribution, the Library must continue to be fiscally responsible with its taxpayer dollars and at the same time provide great services to the public.

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

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 Kelly Kroll, Business Manager/ Fiscal Officer, Medina County District Library, 210 South Broadway Street, Medina, Ohio 44256.

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Medina County District Library, Medina County

Statement of Net Position - Cash Basis

For the Year Ended December 31, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 11,033,094</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 45,990
Debt Service	1,798,549
Permanent Fund:	
Expendable	29,415
Nonexpendable	12,373
Unrestricted	<u>9,146,767</u>
<i>Total Net Position</i>	<u>\$ 11,033,094</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	\$ 3,703,020	\$ 274,995	\$ 3,339	\$ (3,424,686)
Collection Development and Processing	2,031,168	-	-	(2,031,168)
Support Services:				
Facilities Operation and Maintenance	955,213	-	-	(955,213)
Information Services	208,425	-	-	(208,425)
Business Administration	2,131,096	-	-	(2,131,096)
Capital Outlay	1,008,503	-	-	(1,008,503)
Debt Service:				
Principal Retirement	2,035,000	-	-	(2,035,000)
Interest and Fiscal Charges	1,023,663	-	-	(1,023,663)
<i>Total Governmental Activities</i>	<u>\$ 13,096,088</u>	<u>\$ 274,995</u>	<u>\$ 3,339</u>	<u>(12,817,754)</u>
General Receipts:				
Public Library Fund				3,123,044
Property Taxes Levied for General Purposes				4,242,917
Property Taxes Levied for Debt Service				2,749,535
Grants/Entitlements not Restricted to Specific Program				972,581
Unrestricted Gifts and Contributions				48,884
Earnings on Investments				30,352
Miscellaneous				71,786
<i>Total General Receipts</i>				<u>11,239,099</u>
Change in Net Position				(1,578,655)
<i>Net Position Beginning of Year</i>				<u>12,611,749</u>
<i>Net Position End of Year</i>				<u>\$ 11,033,094</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 8,786,620	\$ 1,798,549	\$ 447,925	\$ 11,033,094
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 12,373	\$ 12,373
Restricted	-	1,798,549	45,989	1,844,538
Committed	-	-	258,377	258,377
Assigned	1,207,655	-	131,186	1,338,841
Unassigned	7,578,965	-	-	7,578,965
<i>Total Fund Balances</i>	<u>\$ 8,786,620</u>	<u>\$ 1,798,549</u>	<u>\$ 447,925</u>	<u>\$ 11,033,094</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 4,242,917	\$ 2,749,535	\$ -	\$ 6,992,452
Public Library	3,123,044	-	-	3,123,044
Intergovernmental	589,579	383,002	-	972,581
Grants	3,339	-	-	3,339
Patron Fines and Fees	274,995	-	-	274,995
Contributions, Gifts and Donations	48,884	-	-	48,884
Earnings on Investments	24,549	-	5,803	30,352
Miscellaneous	71,786	-	-	71,786
<i>Total Receipts</i>	<u>8,379,093</u>	<u>3,132,537</u>	<u>5,803</u>	<u>11,517,433</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,703,020	-	-	3,703,020
Collection Development and Processing	2,031,168	-	-	2,031,168
Support Services:				
Facilities Operation and Maintenance	955,213	-	-	955,213
Information Services	208,425	-	-	208,425
Business Administration	1,548,155	48,366	534,575	2,131,096
Capital Outlay	63,392	-	945,111	1,008,503
Debt Service:				
Principal Retirement	-	2,035,000	-	2,035,000
Interest and Fiscal Charges	-	1,023,663	-	1,023,663
	<u>8,509,373</u>	<u>3,107,029</u>	<u>1,479,686</u>	<u>13,096,088</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(130,280)</u>	<u>25,508</u>	<u>(1,473,883)</u>	<u>(1,578,655)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	80,000	80,000
Transfers Out	(80,000)	-	-	(80,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(210,280)	25,508	(1,393,883)	(1,578,655)
<i>Fund Balances Beginning of Year</i>	<u>8,996,900</u>	<u>1,773,041</u>	<u>1,841,808</u>	<u>12,611,749</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,786,620</u>	<u>\$ 1,798,549</u>	<u>\$ 447,925</u>	<u>\$ 11,033,094</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 4,090,800	\$ 4,090,800	\$ 4,242,917	\$ 152,117
Public Library	3,145,597	3,145,597	3,123,044	(22,553)
Intergovernmental	560,000	560,000	589,579	29,579
Grants	-	-	3,339	3,339
Patron Fines and Fees	256,003	256,003	274,995	18,992
Contributions, Gifts and Donations	31,000	31,000	48,884	17,884
Earnings on Investments	10,100	10,100	24,549	14,449
Miscellaneous	57,600	57,600	71,786	14,186
<i>Total Receipts</i>	<u>8,151,100</u>	<u>8,151,100</u>	<u>8,379,093</u>	<u>227,993</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,806,338	3,921,682	3,822,537	99,145
Collection Development and Processing	2,278,948	2,278,948	2,269,697	9,251
Support Services:				
Facilities Operation and Maintenance	1,041,096	1,041,096	1,037,251	3,845
Information Services	218,651	218,651	216,477	2,174
Business Administration	1,700,805	1,734,287	1,729,741	4,546
Capital Outlay	100,000	731,408	641,325	90,083
<i>Total Disbursements</i>	<u>9,145,838</u>	<u>9,926,072</u>	<u>9,717,028</u>	<u>209,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(994,738)</u>	<u>(1,774,972)</u>	<u>(1,337,935)</u>	<u>437,037</u>
Other Financing Uses				
Transfers Out	-	-	(80,000)	(80,000)
<i>Net Change in Fund Balance</i>	<u>(994,738)</u>	<u>(1,774,972)</u>	<u>(1,417,935)</u>	<u>357,037</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	8,666,812	8,666,812	8,666,812	-
Prior Year Encumbrances Appropriated	330,088	330,088	330,088	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 8,002,162</u>	<u>\$ 7,221,928</u>	<u>\$ 7,578,965</u>	<u>\$ 357,037</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County

Statement of Net Position - Cash Basis

For the Year Ended December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 12,611,749</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 984,316
Debt Service	1,773,041
Permanent Fund:	
Expendable	29,460
Nonexpendable	12,273
Unrestricted	<u>9,812,659</u>
<i>Total Net Position</i>	<u>\$ 12,611,749</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2012

	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Net (Disbursements) Receipts and in Net Position Governmental Activities
Governmental Activities				
Current:				
Library Services:				
Public Services and Programs	\$ 3,415,407	\$ 311,013	\$ 3,934	\$ (3,100,460)
Collection Development and Processing	1,656,156	-	-	(1,656,156)
Support Services:				
Facilities Operation and Maintenance	953,832	-	-	(953,832)
Information Services	233,939	-	-	(233,939)
Business Administration	1,396,357	-	-	(1,396,357)
Capital Outlay	424,809	-	-	(424,809)
Debt Service:				
Principal Retirement	2,015,000	-	-	(2,015,000)
Interest and Fiscal Charges	1,054,661	-	-	(1,054,661)
<i>Total Governmental Activities</i>	<u>\$ 11,150,161</u>	<u>\$ 311,013</u>	<u>\$ 3,934</u>	<u>(10,835,214)</u>
General Receipts:				
Library Fund				3,039,678
Property Taxes Levied for General Purposes				4,228,707
Property Taxes Levied for Debt Service				2,758,164
Grants/Entitlements not Restricted to Specific Programs				1,034,161
Unrestricted Gifts and Contributions				38,638
Earnings on Investments				30,629
Miscellaneous				58,063
<i>Total General Receipts</i>				<u>11,188,040</u>
Change in Net Position				352,826
<i>Net Position Beginning of Year</i>				<u>12,258,923</u>
<i>Net Position End of Year</i>				<u>\$ 12,611,749</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,996,900</u>	<u>\$ 1,773,041</u>	<u>\$ 1,841,808</u>	<u>\$ 12,611,749</u>
Fund Balances				
Nonspendable	\$ -	\$ -	\$ 12,273	\$ 12,273
Restricted	-	1,773,041	985,977	2,759,018
Committed	-	-	158,806	158,806
Assigned	330,088	-	684,752	1,014,840
Unassigned	<u>8,666,812</u>	<u>-</u>	<u>-</u>	<u>8,666,812</u>
<i>Total Fund Balances</i>	<u>\$ 8,996,900</u>	<u>\$ 1,773,041</u>	<u>\$ 1,841,808</u>	<u>\$ 12,611,749</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 4,228,707	\$ 2,758,164	\$ -	\$ 6,986,871
Public Library	3,039,678	-	-	3,039,678
Intergovernmental	656,479	377,682	-	1,034,161
Grants	3,934	-	-	3,934
Patron Fines and Fees	311,013	-	-	311,013
Contributions, Gifts and Donations	38,638	-	-	38,638
Earnings on Investments	20,213	-	10,416	30,629
Miscellaneous	55,853	2,210	-	58,063
<i>Total Receipts</i>	<u>8,354,515</u>	<u>3,138,056</u>	<u>10,416</u>	<u>11,502,987</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,415,407	-	-	3,415,407
Collection Development and Processing	1,656,156	-	-	1,656,156
Support Services:				
Facilities Operation and Maintenance	953,832	-	-	953,832
Information Services	233,939	-	-	233,939
Business Administration	1,251,197	52,097	93,063	1,396,357
Capital Outlay	3,225	-	421,584	424,809
Debt Service:				
Principal Retirement	-	2,015,000	-	2,015,000
Interest and Fiscal Charges	-	1,054,661	-	1,054,661
<i>Total Disbursements</i>	<u>7,513,756</u>	<u>3,121,758</u>	<u>514,647</u>	<u>11,150,161</u>
<i>Net Change in Fund Balances</i>	840,759	16,298	(504,231)	352,826
<i>Fund Balances Beginning of Year (Restated)</i>	<u>8,156,141</u>	<u>1,756,743</u>	<u>2,346,039</u>	<u>12,258,923</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,996,900</u>	<u>\$ 1,773,041</u>	<u>\$ 1,841,808</u>	<u>\$ 12,611,749</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 4,129,465	\$ 4,129,465	\$ 4,228,707	\$ 99,242
Public Library	3,039,678	3,039,678	3,039,678	-
Intergovernmental	561,973	561,973	656,479	94,506
Grants	30,000	30,000	3,934	(26,066)
Patron Fines and Fees	265,500	265,500	311,013	45,513
Contributions, Gifts and Donations	20,000	20,000	38,638	18,638
Earnings on Investments	11,000	11,000	20,213	9,213
Miscellaneous	53,575	53,575	55,853	2,278
<i>Total Receipts</i>	<u>8,111,191</u>	<u>8,111,191</u>	<u>8,354,515</u>	<u>243,324</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	3,507,665	3,507,665	3,459,733	47,932
Collection Development and Processing	1,876,663	1,876,663	1,849,009	27,654
Support Services:				
Facilities Operation and Maintenance	984,637	984,637	976,614	8,023
Information Services	299,112	299,112	256,852	42,260
Business Administration	1,316,742	1,316,742	1,278,664	38,078
Capital Outlay	49,748	49,748	22,973	26,775
<i>Total Disbursements</i>	<u>8,034,567</u>	<u>8,034,567</u>	<u>7,843,845</u>	<u>190,722</u>
<i>Net Change in Fund Balance</i>	76,624	76,624	510,670	434,046
<i>Unencumbered Fund Balance Beginning of Year</i>	7,978,125	7,978,125	7,978,125	-
Prior Year Encumbrances Appropriated	<u>178,017</u>	<u>178,017</u>	<u>178,017</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$ 8,232,766</u></u>	<u><u>\$ 8,232,766</u></u>	<u><u>\$ 8,666,812</u></u>	<u><u>\$ 434,046</u></u>

See accompanying notes to the basic financial statements

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Description of the Library and Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Medina County District Library, Medina County, Ohio, (the Library) as a body corporate and politic. Medina County District Library is a Library as defined by Section 3375.19 of the Ohio Revised Code.

A seven-member Board governs the Library, which provides the community with various educational and literacy resources. Of the seven Board members, three are appointed by the Judge of the Court of Common Pleas and four are appointed by the Board of the County Commissioners. All Board members are qualified electors of the Library District. Each trustee serves a term of seven years. The officers of the Board are the president, vice president and secretary, who are all elected and serve a term of one year.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, the financial statements of the Medina County District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial 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 all financial activities of the Library. Governmental activities generally are financed through the Library Fund.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The statement of net position - cash basis presents the cash basis financial condition of governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. 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 activity 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. Nonmajor funds are aggregated and presented in a single column.

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 those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - This fund is used to account for receipts that are restricted for the payment of general obligation bonds.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

The Library's financial statements are prepared using the 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 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.

Budgetary Process

The Library Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at fund, function and object level of control.

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.

The appropriation 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 resolution 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

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.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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.

During 2013 and 2012, investments were limited to STAR Ohio, STAR-Plus, Money Markets, and Certificates of Deposits.

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 on December 31, 2013 and 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2013 amounted to \$24,549 and during 2012 amounted to \$20,213. Per the Library Board's policy, interest on investments are also receipted to other library Funds as well.

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. The Library has no restricted assets.

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.

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.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts. The Library had one intergovernmental transfer in 2013 from the General Fund to the Building and Repair Fund (Capital Fund) in the amount of \$80,000.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid. For more detail refer to Note 12 of these financial statements.

Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. In 2013, net assets were restricted for \$45,990 in the capital projects funds, \$1,798,549 in the debt service funds, \$41,788 in the permanent fund. In 2012, net assets were restricted for \$984,316 in the capital projects funds, \$1,773,041 in the debt service funds, \$41,733 in the permanent funds.

Note 3 – Fund-Type Reclassification

The endowment fund, which was previously reported as part of Other Governmental Funds, was reclassified as part of the General Fund. These revisions had the following effect on fund balances previously reported.

	<u>General Fund</u>	Other Governmental <u>Funds</u>
Fund Balance - 12/31/2011	\$6,935,947	\$3,566,233
Fund Reclassification (Endowment Fund)	<u>1,220,194</u>	<u>(1,220,194)</u>
Fund Balance 1/1/2012	<u>\$8,156,141</u>	<u>\$2,346,039</u>

Additionally, due to this reclassification, the General Fund's January 1, 2012 budget-basis fund balance was restated from \$6,757,931, as previously reported, to \$7,978,125.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 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 – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year-end December 31, 2013 amounted to \$1,207,655 for the General Fund. Encumbrances outstanding at year-end December 31, 2012 amounted to \$330,088 for the General Fund.

Note 5 – 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 Library 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 that 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 depositories,

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 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;

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Deposits and Investments (Continued)

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 the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end 2013 and 2012, the Library had \$1,317 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.”

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2013, \$2,383,317 of the Library’s bank balance of \$6,133,317, which includes \$3,250,000 of non-negotiable certificates of deposit and at December 31, 2012, \$732,233 of the Library’s bank balance of \$4,232,234 which includes \$3,500,000 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

At December 31, 2013 and 2012, the Library had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u> <u>12/31/2013</u>	<u>Maturity (1)</u>	<u>Fair Value</u> <u>12/31/2012</u>	<u>Maturity (1)</u>	<u>Rating (2)</u>
Money Market	\$2,716,775	Daily	\$4,715,433	Daily	Aaa
STAR-Ohio	<u>2,341,982</u>	Daily	<u>3,806,983</u>	Daily	Aaa
Total Investments	<u>\$5,058,757</u>		<u>\$8,522,416</u>		

(1) Average Maturity - Days

(2) S&P

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 – Deposits and Investments (Continued)

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

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 money markets and Star Ohio are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in 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."

Note 6 – Public Library Fund Revenues and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's PLF revenues and its population. The two library systems in the county have an agreed-upon schedule of allocation of the county's PLF revenues through 2018 that is provided to the County Budget Commission. The Budget Commission allocates the PLF funds to the Library based on this formula. 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 the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Revenue. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

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

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

Note 8 - 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 Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

For the years ended December 31, 2013 and 2012, all employees are members were required to contribute 10 percent of their annual gross salary. The Library's contribution rate for pension benefits for the years ended December 31, 2013 and 2012 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations for all plans for the years ended December 31, 2013, 2012, and 2011 were \$571,366, \$521,708, and \$508,094, respectively. The full amount has been contributed for 2013, 2012 and 2011.

Note 9 - 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, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 9 - Postemployment Benefits (Continued)

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 Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of Ohio Revised Code. Disclosures for the health care plan are presented 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.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2013 and 2012, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment healthcare benefits.

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 porting 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 as 1.0% during calendar year 2013. The portion of employer contributions to health care for members in the Combined.

Plans was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

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.

The Library’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$40,812, \$149,002 and \$145,170, respectively. The full amount has been contributed for all three years.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 10 – Long –Term Liabilities

The changes in the Library’s long-term obligations during 2013 and 2012 consist of the following:

	Principal Outstanding 1/1/2013	Reductions	Principal Outstanding 12/31/2013	Amounts Due in One Year
Governmental Activities:				
2011 Current Interest bonds	\$24,799,993	\$110,000	\$24,689,993	\$2,110,000
2011 Capital Appreciation Bonds	45,000	-	45,000	-
2003 General Obligation Bonds	<u>1,925,000</u>	<u>1,925,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$26,769,993</u>	<u>\$2,035,000</u>	<u>\$24,734,993</u>	<u>\$2,110,000</u>

	Principal Outstanding 1/1/2012	Reductions	Principal Outstanding 12/31/2012	Amounts Due in One Year
Governmental Activities:				
2011 Current Interest bonds	\$24,974,993	\$175,000	\$24,799,993	\$110,000
2011 Capital Appreciation Bonds	45,000	-	45,000	-
2003 General Obligation Bonds	<u>3,765,000</u>	<u>1,840,000</u>	<u>1,925,000</u>	<u>1,925,000</u>
Total	<u>\$28,784,993</u>	<u>\$2,015,000</u>	<u>\$26,769,993</u>	<u>\$2,035,000</u>

In 2003, the Library issued \$42,300,000 in general obligation bonds, at rates from 2% - 5.25% and maturity dates from 2004 through 2023, for renovations to three buildings and construction of three new buildings. The voters approved a tax levy to pay off the bonds over 20 years.

In 2011, the Library refunded a portion of the above 2003 Series Bond for \$25,020,000, at rates from 2%-5% and maturity dates from 2012 through 2023. The bonds are to be paid over 12 years. The amount paid to the escrow agent was \$27,445,710, which is the amount left in its account held by its financial institution as of December 31, 2011. This amount is not reported in the Library’s cash balance.

This issue is comprised of both current interest bonds, par value \$24,975,000, and capital appreciation bonds, par value \$45,000. The interest rates on the current interest bonds range from 2%-5%. The capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield at maturity 2.81%) at a redemption price equal to 100% of the principal, plus interest at the redemption date. The accreted value at maturity for the capital appreciation bonds is \$225,005.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 10 – Long –Term Liabilities (Continued)

Principal and interest requirements to retire long-term liabilities outstanding at Dec. 31, 2013, are as follows:

Year Ended	<u>Current Interest Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Dec 31</u>						
2014	\$2,110,000	\$944,463			\$2,110,000	\$944,463
2015	2,200,000	860,063			2,200,000	860,063
2016	2,240,000	816,063			2,240,000	816,063
2017	2,290,000	771,263			2,290,000	771,263
2018	2,375,000	679,663			2,375,000	679,663
2019-2023	<u>13,474,993</u>	<u>1,593,252</u>	<u>\$45,000</u>	<u>\$180,005</u>	<u>13,74,993</u>	<u>1,773,257</u>
Total	<u>\$24,689,993</u>	<u>\$5,664,767</u>	<u>\$45,000</u>	<u>\$180,005</u>	<u>\$24,734,993</u>	<u>\$5,844,772</u>

Bonds will be paid from the Debt Service Fund.

Note 11 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	December 31, 2013			
	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Endowment	\$ -	\$ -	\$12,373	\$12,373
Restricted For:				
Debt Service	-	1,798,549	-	1,798,549
Capital Improvements	-	-	45,989	45,989
Total Restricted	-	1,798,549	45,989	1,844,538
Committed For:				
Construction	-	-	258,377	258,377
Assigned To:				
Vendors	1,207,655	-	131,186	1,338,841
Unassigned	<u>7,578,965</u>	<u>-</u>	<u>-</u>	<u>7,578,965</u>
Total	<u>\$8,786,620</u>	<u>\$1,798,549</u>	<u>\$447,925</u>	<u>\$11,033,094</u>

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 11 – Fund Balances (Continued)

	December 31, 2012			
<u>Fund Balances</u>	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Endowment	\$ -	\$ -	\$12,273	\$12,273
Restricted For:				
Debt Service	-	1,773,041	-	1,773,041
Construction			984,316	984,316
Grant Fund	<u>-</u>	<u>-</u>	<u>1,661</u>	<u>1,661</u>
Total Restricted	-	1,773,01	985,977	2,759,018
Committed For:				
Construction	-	-	158,806	158,806
Assigned To:				
Vendors	330,088	-	29,460	359,548
Other Purposes	<u>-</u>	<u>-</u>	<u>655,292</u>	<u>655,292</u>
Total Assigned	<u>330,088</u>	<u>-</u>	<u>684,752</u>	<u>1,014,840</u>
Unassigned	<u>8,666,812</u>	<u>-</u>	<u>-</u>	<u>8,666,812</u>
Total	<u>\$8,996,900</u>	<u>\$1,773,041</u>	<u>\$1,841,808</u>	<u>\$12,611,749</u>

Note 12 – Leases

The Library leases equipment under non-cancelable leases. The Library made lease payments of \$6,840 in 2013 and \$6,840 in 2012. Future lease payments are as follows:

Year	Amount
2015	\$6,840
2016	6,840
2017	1,404
2018	1,404
2019	<u>1,404</u>
Total	<u>\$17,892</u>



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*

Medina County District Library
Medina County
210 South Broadway Street
Medina, Ohio 44256

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 Medina County District Library, Medina County, Ohio, (the Library) as of and for the years ended December 31 2013 and 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 May 12, 2014, wherein we noted the Library follows the cash accounting basis and the Library restated its General Fund and Other Governmental Funds' fund balances for fund-type classification revisions.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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*.

Entity's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State
Columbus, Ohio

May 12, 2014

**MEDINA COUNTY DISTRICT LIBRARY
MEDINA COUNTY**

SCHEDULE OF FINDINGS

FINDING NUMBER 2013-001

Material Weakness – Fund Type Classification:

Permanent Fund Non-Expendable Balance

Governmental Accounting Standards Board Statement (GASB), No. 54 provides revised governmental fund-type definitions. Pursuant to this guidance, *Permanent Funds* account for assets held under trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. **Auditor of State Bulletin 2011-004** provides additional guidance regarding the implementation of GASB 54, and indicates GASB 54 changes the definitions of governmental funds; therefore, some funds that are maintained for day-to-day accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the general fund or a qualifying special revenue fund in the year-end financial statements.

At December 31, 2011, the Library's Other Governmental Funds included an "Endowment Fund" with a \$1,220,194 cash fund balance. This fund is used to account for donated receipts for library materials and improvements. However, there is no legally binding trust agreement for these donations, and as such does not meet the requirements to be classified as a permanent fund and should have been reported as part of the General Fund. An adjustment was posted by management to reclassify this fund into the General Fund as of January 1, 2012.

The Library should establish procedures to ensure its fund types are properly classified on the financial statements pursuant to GASB Statement No. 54.

Officials' Response: Management agrees that per GASB 54, the fund balance in the library's 701 Endowment Fund should not have been classified as a Permanent Fund by the former fiscal officer. An independent public accounting firm that audited the Library's financial statements previously did not require an adjustment to the statements; however, as noted by the Auditor of State, management has reclassified this Fund into the General Fund as of January 1, 2012.

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MEDINA COUNTY DISTRICT LIBRARY

MEDINA 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
JUNE 17, 2014**