



Dave Yost • Auditor of State

**TWINSBURG PUBLIC LIBRARY
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Twinsburg Public Library
Summit County
10050 Ravenna Road
Twinsburg, Ohio 44087

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 Twinsburg Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twinsburg Public Library, Summit County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and budgetary comparison for the General Fund 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 August 8, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

August 8, 2014

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Twinsburg Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

Highlights

Key financial highlights for 2012 are as follows:

- Net position of the Library decreased \$61,346, or 4.34% from the previous year.
- Total fund balance in the Library's General Fund was \$951,889 at December 31, 2012, an increase of \$225,151 or 30.98% from the previous year.
- Capital Outlay disbursements decreased \$55,219 or 18.62% from the previous year.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2012, within the limitations of 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 activity. Program receipts include customer fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

Twinsburg Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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, 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 Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and public library funds (PLF).

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

Reporting the Library's Most Significant Funds

Fund financial statements 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 reported in one category: governmental.

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

The Library as a Whole

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

Table 1
Net Position

	Governmental Activities	
	2012	2011
Assets		
Cash and Cash Equivalents	<u>\$ 1,350,999</u>	<u>\$ 1,412,345</u>
Net Position		
Unrestricted	<u>1,350,999</u>	<u>1,412,345</u>
Total Net Position	<u>\$ 1,350,999</u>	<u>\$ 1,412,345</u>

All of the Library's net position is considered unrestricted, as none of the Library's net position meets the definition of restricted in Governmental Accounting Standards Board Statement No. 34.

Twinsburg 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 fiscal years ended December 31, 2012 and December 31, 2011.

Table 2
Change in Net Position

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Receipts		
Program Receipts:		
Charges for Services and Sales	\$78,128	\$81,411
Operating Grants and Contributions	0	16,560
Capital Grants and Contributions	0	4,503
<i>Total Program Receipts</i>	<u>78,128</u>	<u>102,474</u>
General Receipts:		
Property and Other Local Taxes	1,338,406	1,388,148
Intergovernmental	1,257,692	1,312,062
Contributions, Gifts and Donations Not Restricted	18,000	561
Earnings on Investments	1,362	1,449
Miscellaneous	11,141	9,602
<i>Total General Receipts</i>	<u>2,626,601</u>	<u>2,711,822</u>
<i>Total Receipts</i>	<u>2,704,729</u>	<u>2,814,296</u>
Disbursements:		
Current:		
Library Services:		
Public Service and Programs	1,169,739	1,084,997
Collection Development and Processing	602,947	658,509
Support Services:		
Facilities Operation and Maintenance	233,275	262,625
Business Administration	393,494	327,873
Capital Outlay	241,364	296,582
Debt Service:		
Redemption of Principal	120,000	115,000
Interest	5,256	10,293
<i>Total Disbursements</i>	<u>2,766,075</u>	<u>2,755,879</u>
Increase/Decrease in Net Position	(61,346)	58,417
Net Position, January 1	<u>1,412,345</u>	<u>1,353,928</u>
Net Position, December 31	<u>\$1,350,999</u>	<u>\$1,412,345</u>

For 2012 program receipts represent 2.89% of total cash receipts and are primarily comprised of customer fines and fees, and restricted contributions and donations.

For 2012, general cash receipts represent 97.11% of the Library's total cash receipts, and of general cash receipts, 50.96% are local taxes and 47.88% are intergovernmental revenue, primarily consisting of public library funds.

Twinsburg Public Library

Management's Discussion and Analysis For the Year Ended December 31, 2012 Unaudited

The decrease of \$55,219 or 18.62% in capital outlay disbursements from the prior year, is due to the Library finishing a major renovation and addition project in the circulation area.

Revenue for the Library was consistent with the prior year, as no significant new sources of revenue were obtained, such as new property tax levies, grants, or fees.

Governmental Activities

If you look at the Statements of Activities on page 12, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services for 2012; the major program disbursements for governmental activities are Public Service and Programs, Collection Development and Processing and Business Administration which account for 42.28%, 21.79% and 14.22% of all Library expenses respectively for 2012. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program revenues 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 the state of Ohio and 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.

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Library Services				
Public Service and Programs	\$1,169,739	\$1,091,611	\$1,084,997	\$987,026
Collection Development and Processing	602,947	602,947	658,509	658,509
Support Services				
Facilities Operation and Maintenance	233,275	233,275	262,625	262,625
Business Administration	393,494	393,494	327,873	327,873
Capital Outlay	241,364	241,364	296,582	292,079
Principal Retirement	120,000	120,000	115,000	115,000
Interest and Fiscal Charges	5,256	5,256	10,293	10,293
Total Expenses	<u>\$2,766,075</u>	<u>\$2,687,947</u>	<u>\$2,755,879</u>	<u>\$2,653,405</u>

The Library's Funds

For 2012, governmental funds had total cash receipts of \$2,704,729 and total cash disbursements of \$2,766,075. The fund balance of the General Fund increased by \$225,151 or 30.98%. The reason for the increase is due to the Library making fewer transfers to other funds in 2012, for future capital project set-asides and debt service requirement.

The fund balance of the Building and Repair fund decreased by \$36,220 or 11.01%. The reason for the decrease is primarily due to no transfer in was made to this fund in 2012.

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, cash disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Cash disbursements in 2012 were originally budgeted at \$2,887,121 while actual cash disbursements were \$2,604,154. The decrease between the originally budgeted disbursements and actual disbursements was due to an overall effort of the Library to reduce disbursements and no transfers were made to other funds.

Twinsburg Public Library

Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Debt Administration

During 2012, the Library retired general obligation notes obtained for the renovation and addition to the current building. At December 31, 2012, the Library's outstanding debt included \$12,347 in capital lease for equipment. For further information regarding the Library's debt, refer to notes 10 and 11 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 relies heavily on local taxes and PLF funding.

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 Fiscal Officer, Twinsburg Public Library, 10050 Ravenna Road, Twinsburg, Ohio 44087.

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Twinsburg Public Library
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,350,999</u>
Net Position	
Unrestricted	<u>\$1,350,999</u>

See accompanying notes to the basic financial statements

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

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$1,169,739	\$78,128	(\$1,091,611)
Collection Development and Processing	602,947	0	(602,947)
Support Services:			
Facilities Operation and Maintenance	233,275	0	(233,275)
Business Administration	393,494	0	(393,494)
Capital Outlay	241,364	0	(241,364)
Debt Service:			
Principal Retirement	120,000	0	(120,000)
Interest and Fiscal Charges	5,256	0	(5,256)
<i>Total Governmental Activities</i>	<u>\$2,766,075</u>	<u>\$78,128</u>	<u>(\$2,687,947)</u>
General Receipts:			
Property Taxes Levied for General Purposes			1,338,406
Unrestricted Gifts and Contributions			18,000
Grants/Entitlements not Restricted to Specific Programs			1,257,692
Earnings on Investments			1,362
Miscellaneous			11,141
<i>Total General Receipts</i>			<u>2,626,601</u>
Change in Net Position			(61,346)
<i>Net Position Beginning of Year</i>			<u>1,412,345</u>
<i>Net Position End of Year</i>			<u>\$1,350,999</u>

See accompanying notes to the basic financial statements

Twinsburg Public Library
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$951,889	\$292,791	\$106,319	\$1,350,999
Fund Balances				
Assigned	913,130	292,791	106,319	1,312,240
Unassigned	38,759	0	0	38,759
<i>Total Fund Cash Balances, December 31</i>	<u>\$951,889</u>	<u>\$292,791</u>	<u>\$106,319</u>	<u>\$1,350,999</u>

See accompanying notes to the basic financial statements

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

	General	Building and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$1,338,406	\$0	\$0	\$1,338,406
Public Library	1,003,097	0	0	1,003,097
Intergovernmental	254,595	0	0	254,595
Patron Fines and Fees	78,128	0	0	78,128
Contributions, Gifts and Donations	18,000	0	0	18,000
Earnings on Investments	925	280	157	1,362
Miscellaneous	11,141	0	0	11,141
<i>Total Receipts</i>	<u>2,704,292</u>	<u>280</u>	<u>157</u>	<u>2,704,729</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,169,739	0	0	1,169,739
Collection Development and Processing	602,947	0	0	602,947
Support Services:				
Facilities Operation and Maintenance	233,275	0	0	233,275
Business Administration	393,494	0	0	393,494
Capital Outlay	79,686	36,500	125,178	241,364
Debt Service:				
Principal Retirement	0	0	120,000	120,000
Interest and Fiscal Charges	0	0	5,256	5,256
<i>Total Disbursements</i>	<u>2,479,141</u>	<u>36,500</u>	<u>250,434</u>	<u>2,766,075</u>
<i>Net Change in Fund Balances</i>	225,151	(36,220)	(250,277)	(61,346)
<i>Fund Balances Beginning of Year</i>	<u>726,738</u>	<u>329,011</u>	<u>356,596</u>	<u>1,412,345</u>
<i>Fund Balances End of Year</i>	<u><u>\$951,889</u></u>	<u><u>\$292,791</u></u>	<u><u>\$106,319</u></u>	<u><u>\$1,350,999</u></u>

See accompanying notes to the basic financial statements

Twinsburg 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	\$1,497,994	\$1,497,994	\$1,338,406	(\$159,588)
Public Library	1,003,097	1,003,097	1,003,097	\$0
Intergovernmental	106,013	106,013	254,595	148,582
Patron Fines and Fees	54,500	54,500	78,128	23,628
Services Provided to Other Entities	0	0	0	0
Contributions, Gifts and Donations	15,000	18,000	18,000	0
Earnings on Investments	742	742	925	183
Miscellaneous	0	0	11,141	11,141
<i>Total Receipts</i>	2,677,346	2,680,346	2,704,292	23,946
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,207,688	1,271,461	1,177,922	93,539
Collection Development and Processing	755,548	838,871	684,783	154,088
Support Services:				
Facilities Operation and Maintenance	392,827	416,204	279,288	136,916
Business Administration	408,254	475,189	390,638	84,551
Capital Outlay	97,804	105,264	71,523	33,741
<i>Total Disbursements</i>	2,862,121	3,106,989	2,604,154	502,835
<i>Excess of Receipts Over (Under) Disbursements</i>	(184,775)	(426,643)	100,138	526,781
Other Financing Sources (Uses)				
Transfers Out	(25,000)	(300,000)	0	300,000
<i>Net Change in Fund Balance</i>	(209,775)	(726,643)	100,138	826,781
<i>Unencumbered Fund Balance Beginning of Year</i>	670,447	670,447	670,447	0
Prior Year Encumbrances Appropriated	56,292	56,292	56,292	0
<i>Unencumbered Fund Balance End of Year</i>	\$516,964	\$96	\$826,877	\$826,781

See accompanying notes to the basic financial statements

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

Note 1 – Description of the Library and Reporting Entity

The Samuel Bissell Memorial Library was established in 1910 and was organized as a school district public library in 1927 under the laws of the State of Ohio. The Library name changed to the Twinsburg Public Library in 1931. The Library has its own Board of Trustees of seven members who are appointed by the Twinsburg City Schools Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Twinsburg City Schools Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Twinsburg Public Library Foundation, Inc. (the Foundation) is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Foundation is organized exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and to operate exclusively for the benefit of the Twinsburg Public Library and to further the Library's charitable purposes. A Board of Trustees consisting of eleven (11) interested persons residing in the State of Ohio manages the Foundation's affairs. No Library Trustees or employees serve on the Foundation's Board.

Separately maintained statements for the Foundation are available from:

Treasurer, Twinsburg Public Library Foundation
Twinsburg Public Library
10050 Ravenna Road
Twinsburg, Ohio 44087

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

Note 1 – Description of the Library and Reporting Entity (continued)

Friends of the Twinsburg Public Library (the Friends) is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The Friends is organized exclusively for charitable, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and to operate exclusively for the benefit of the Twinsburg Public Library and to further the Library's charitable purposes. A Board of Trustees consisting of ten (10) interested persons residing in the State of Ohio manages the Friends' affairs. No Library Trustees or employees serve on the Friends' Board.

Separately maintained statements for the Friends are available from:

Treasurer, Friends of the Twinsburg Public Library
10050 Ravenna Road
Twinsburg, Ohio 44087

The Library participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 describes the risk pool in more depth.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Twinsburg Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of American (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.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole at December 31, 2012. These statements include the financial activities of the Library. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net position presents the cash and investment balances of the governments 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 is self-financing on a cash basis or draws from the Library's general receipts.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds

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

Building and Repair Fund - This fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technological improvements, additions, and renovations of the Library.

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

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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 liabilities and the related expenses) are not recorded in these financial statements.

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

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All 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 and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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.

E. Cash and Cash Equivalents

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2012 investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio, investments are recorded at cost.

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 Rule2a7 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, 2012. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Interest is receipted to the fund where earned. Interest credited to Library funds during 2012 was:

General Fund	\$ 925
Building and Repair Fund	280
Other Governmental Funds	157
Total Interest	<u>\$1,362</u>

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

Note 2 – Summary of Significant Accounting Policies (continued)

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. 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.

J. 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 an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library does not have restricted net position.

L. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance (continued)

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.

Note 3 – Change in Accounting Principal

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

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 restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$125,012 for the general fund.

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

Note 5 – Deposits and Investments

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies and 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; and
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.

At year end in the Library had \$850 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

Note 5 - Deposits and Investments (continued)

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 year end, \$553,010 of the Library's bank balance of \$1,236,346 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

The Library had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$208,142	On demand

Credit Risk - Star Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in STAR Ohio are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities include securities underlying repurchase agreements and investment securities. 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 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 - Property Taxes

The Twinsburg Public Library has two operating levies. The first levy for 1 mill was approved on November 6, 2001 and the second 1 mill levy was approved on August 5, 2008.

Property taxes include amounts levied against all real property and public utility property located in the Twinsburg City School District. Property tax receipts received in 2012 for real and public utility property taxes represents collections of the 2011 taxes.

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

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

Note 6 - Property Taxes

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 30. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien on December 31, 2011 are levied after October 1, 2012 are collected in 2013 with real property taxes. The full tax rate for all Library operations for the year ended December 31, 2012 was \$2.00 per \$1,000 of assessed value.

The assessed values of real and personal property upon which property tax receipts were based are as follows:

Real Property	\$ 552,207,870
Other Real Value	213,749,370
Public Utility Property	14,371,670
Total Real and PU Value	\$ 780,328,910

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

Note 7 - Risk Management

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

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Ohio Plan Risk Management, Inc.	Blanket Building and Property, Limit	\$ 9,808,690
	Inland Marine (Electronic Equipment/Media), Limit	\$ 325,000
	Governmental General Liability, per occurrence	\$ 2,000,000
	Employers' Liability (Ohio Stop Gap), per occurrence	\$ 2,000,000
	Employee Benefits Liability, each incident	\$ 2,000,000
	Public Official Liability, each wrongful act	\$ 2,000,000
	Automobile – Crime, Limit per type	\$ 25,000

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

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

Note 7 - Risk Management (continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets	\$ 13,100,381	\$ 12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$ 6,413,188</u>	<u>\$ 7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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

Note 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.

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

Note 8 - Defined Benefit Pension Plan (continued)

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.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The Library's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$121,018, \$160,928, and \$156,805, respectively; 92 percent has been contributed for 2012 and 100 percent for 2011 and 2010.

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.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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 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 the 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.

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

Note 9 - Postemployment Benefits (continued)

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 members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4% for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for 2012.

The OPERS Retirement Board 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. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$48,404, \$45,979, and \$56,890, respectively; 92% has been contributed for 2012 and 100 percent for 2011 and 2010

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

Note 10 – Notes Payable

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

	<u>Outstanding</u> <u>December 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>December 31, 2012</u>
Governmental Activities				
2002 4.27%				
Revenue Anticipation Note	\$120,000	\$ 0	\$120,000	\$ 0

In order to provide financing for an expansion and renovation of the existing Library the Board of Trustees secured a note from the Ohio Association of School Business Officials (OASBO) Expanded Asset Pooled Financing Program for \$1,000,000 in December 2002. Pursuant to Section 3375.40 of the Ohio Revised Code the notes were issued based on anticipation of the Library and Local Government Service Fund monies.

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

Note 11 – Leases

The Library leases equipment under noncancelable leases. The Library disbursed \$5,765 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows (including interest):

Year	Amount
2013	\$ 6,401
2014	5,394
2015	<u>552</u>
Total	<u>\$12,347</u>

Note 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 government funds.

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

Fund Balances	General	Building and Repair	Other Governmental Funds	Total
Assigned to				
Capital Outlay		\$ 292,791	\$ 103,851	\$ 396,642
Debt Service			2,468	2,468
Purchases on Order	\$ 125,012			125,012
Next Year's Budget	788,118			788,118
Total Assigned	913,130	292,791	106,319	1,312,240
Unassigned	38,759			38,759
Total Fund Balances	\$ 951,889	\$ 292,791	\$ 106,319	\$ 1,350,999

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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

Twinsburg Public Library
Summit County
10050 Ravenna Road
Twinsburg, Ohio 44087

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 Twinsburg Public Library, Summit County, (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 August 8, 2014, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 2012-001 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

August 8, 2014

**TWINSBURG PUBLIC LIBRARY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Financial Statement Adjustments

<i>Finding Number</i>	2012-001
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following errors were noted while testing the financial fiscal year 2012 statements:

- The fund balances reported on the draft financial statements were overstated by \$10,782 in the Building and Repair Fund and understated by \$27,288 and \$3 in the General Fund and Other Governmental Funds, respectively. Also, the Governmental Activities Total Net Position was understated by \$9,218. Reports used to complete the financial statements were generated prior to year-end closing and reconciliation procedures which led to the variances.
- Restricted Net Position of \$414,713 and \$2,467 for Capital Projects and Debt Service, respectively, was reclassified to Unrestricted Net Position because the amounts did not meet the qualifications for Restricted Net Position as defined by Governmental Accounting Standards Board (GASB) Statement Number 34.
- Unassigned fund balance of \$911,072 was reclassified to assigned fund balance in the General Fund. Fund balances which are encumbered at year-end and appropriations for the following year that exceed estimated receipts should be classified as assigned fund balance according to GASB Statement Number 54. In addition, the fund balance footnote in accordance with GASB Statement Number 54 was not correct,
- The Statement of Receipts, Disbursement and Changes in Fund Balance - Budget and Actual - Budget Basis for the General Fund did not include the correct amount for unencumbered fund balance at the beginning of the year.
- Actual expenditures of \$2,604,154 were initially understated on the Budgetary Statements by \$125,012 which is the General fund outstanding encumbrances as of December 31, 2012. However, the error was corrected and revised Budgetary Statements were presented by the Fiscal Officer once the error was brought to her attention.
- Original Budgeted expenditures of \$2,887,122 on the Budgetary Statements were overstated by \$507,973 and \$300,000 due to differences between the accounting system and original budget amounts (approved temporary appropriations plus prior year carryover encumbrances) and the inclusion of transfers-in as both disbursements and other financing uses, respectively.
- Final Budgeted expenditures of \$3,406,989 on the Budgetary Statements were understated by \$10,894 and overstated by \$300,000 due to differences between the accounting system and final budget amounts (approved permanent and amended appropriations plus prior year carryover encumbrances) and the inclusion of transfers-in as both disbursements and other financing uses, respectively.

- Various mathematical errors were noted in the MD&A, financial statements, and footnotes. In addition, grammatical errors were noted throughout the MD&A and footnotes.
- Footnotes did not disclose the implementation of GASB Statement Number 63 or the note payable.
- The MD&A did not disclose the correct major funds, did not discuss debt administration, and did not discuss detail of major funds other than the general fund,
- Multiple revisions were required to be made to the MD&A and footnotes to correct errors.
- The deposit and investment footnote did not report the correct bank balance, investment balance, and collateral coverage.
- The Defined Benefit Pension Plan and Postemployment Benefits footnotes contained incorrect amounts and included wrong paragraphs.

To help ensure proper financial statement presentation, the Fiscal Officer should use yearend system reports, review GASB Statement Numbers 34 and 54 and review the draft financial statements for errors and missing information. Inaccurate financial reporting could result in the financial statements being misstated.

In order to more accurately report the Budget and Actual - Budget Basis amounts as required by OCBOA reporting, the Library's Fiscal Officer should:

- Include all required expenditure amounts such as outstanding encumbrances,
- Review system reports and compare the original budget amounts to those approved by the Board of Trustees,
- Review the budgetary worksheet used to allocate expenses to ensure transfer amounts are not included twice.

The accompanying financial statements have been adjusted to correct all items noted above.

Official's Response: Management has made the appropriate changes. Management will have the financial statements reviewed prior to being presented to the auditors.