

MEDINA COUNTY DISTRICT LIBRARY

MEDINA COUNTY

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Medina County District Library
210 S. Broadway Street
Medina, Ohio 44256

We have reviewed the *Report of Independent Accountants* of the Medina County District Library, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 27, 2012

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For the Years Ended December 31, 2011 and 2010

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Medina County District Library
Medina County
210 S Broadway St.
Medina, Ohio 44256

To the Board of Trustees:

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 (Library) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2011 and 2010, and the respective changes in cash financial position, and the respective budgetary comparison for the General Fund for the years ended December 31, 2011 and 2010 and the Endowment Fund for the year December 31, 2010 in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Medina County District Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However, these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.



Charles E. Harris & Associates, Inc.

May 24, 2012

Medina County District Library
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
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, 2011 and 2010, 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 2011 and 2010 are as follows:

In 2011, net assets of governmental activities increased \$691,248 or 6 percent. In 2010, net assets increased \$848,106 or 8 percent.

The Library's general receipts are primarily the Public Library Fund, Property Taxes, and Intergovernmental. These receipts represent respectively 97 percent of the total cash received for governmental activities for 2011 and 2010, excluding the amounts received from proceeds of bonds in 2011. Public Library Fund receipts increased by \$261,456 in 2011 and decreased by \$190,726 in 2010. This fluctuation is due to the freezing of library funding by the State for the past several years.

In 2011, Property Taxes decreased \$294,379 or 4 percent. In 2010, Property Taxes decreased \$1,821,263 or 20 percent. The decrease of Property Taxes in 2011 is due to the weak housing market. The decrease of Property Taxes in 2010 is due to the reclassification of monies from Property Taxes to Intergovernmental receipts.

In 2011, the Library Board took advantage of lower prevailing interest rates and refunded the existing \$25 million bond issue, saving the taxpayers \$2.4 million over the life of the bond issue. The refunding caused a drastic increase in both receipts and disbursements in the Debt Service Fund from 2010.

In 2011, the increase of \$233,070 for Capital Outlay was due to renovation upgrades for the Seville branch. In 2010, the decrease of \$767,932 for Capital Outlay was primarily due to major renovation projects of the Library being completed. In 2010, the decrease of \$422,513 in Public Service and Program was attributed to reduction in library staff.

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 assets and the statement of activities provide information about the cash activities other 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
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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 assets and the statement of activities reflect how the Library did financially during 2011 and 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts 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 assets 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
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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 has three major governmental funds in 2011 and four major funds in 2010 – the General Fund, the Debt Service Fund, Endowment Fund and the Construction/Renovation Fund in 2010 and the General Fund, the Debt Service Fund, and the Construction/Renovation Fund in 2011. 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 assets for 2011 compared to 2010 and 2010 compared to 2009 on a cash basis:

	Net Assets		
	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash and Cash Equivalents	\$ 12,258,923	\$ 11,567,675	\$ 10,719,569
Total Assets	<u>12,258,923</u>	<u>11,567,675</u>	<u>10,719,569</u>
Net Assets			
Restricted for:			
Capital Projects	2,302,890	2,740,181	2,952,050
Debt Service	1,756,743	1,998,357	2,023,731
Permanent Fund - Endowment			
Expendable	29,214	29,214	29,214
Nonexpendable	12,273	12,273	12,273
Other Purposes	1,221,856	1,217,687	1,210,716
Unrestricted	<u>6,935,947</u>	<u>5,569,963</u>	<u>4,491,585</u>
Total Net Assets	<u>\$12,258,923</u>	<u>\$11,567,675</u>	<u>\$10,719,569</u>

As mentioned previously, net assets of governmental activities increased \$691,248 or 6 percent during 2011 and \$848,106 or 8 percent in 2010. The primary reasons contributing to the increase in cash and investment balances in 2010 and 2011 is due to the completion of major renovation projects of the Library and reduction in library staff.

Medina County District Library
Management's Discussion and Analysis
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Table 2 reflects the changes in net assets in 2011 compared to 2010, and 2010 compared to 2009.

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 290,635	\$ 255,566	\$ 188,654
Total Program Receipts	<u>290,635</u>	<u>255,566</u>	<u>188,654</u>
General Receipts:			
Library Fund	3,222,084	2,960,628	3,151,354
Property Taxes Levied for General Purposes	4,309,407	4,414,130	5,008,137
Property Taxes Levied for Debt Service	2,703,845	2,893,501	4,120,757
Unrestricted Gifts and Contributions	27,021	24,282	23,755
Grants and Entitlements not Restricted to Specific Program	954,089	985,453	-
Sale of Bonds	25,020,000	-	-
Premium and Accrued Interest on Bond	2,683,605	-	-
Earnings on Investments	29,839	47,894	45,582
Miscellaneous	56,903	66,443	37,950
Total General Receipts	<u>39,006,793</u>	<u>11,392,331</u>	<u>12,387,535</u>
Total Receipts	<u>39,297,428</u>	<u>11,647,897</u>	<u>12,576,189</u>
Disbursements:			
Current:			
Library Services:			
Public Services and Programs	4,943,857	5,106,866	5,527,379
Collection Development and Processing	888,147	859,579	840,534
Support Services:			
Facilities Operation and Maintenance	723,239	707,309	749,709
Information Services	127,338	125,040	121,454
Business Administration	510,964	525,187	497,259
Capital Outlay	449,867	216,797	984,729
Debt Service:			
Principal Retirement	1,770,000	1,710,000	1,660,000
Payment of Refunding to Escrow Agent	27,445,710	-	-
Interest and Fiscal Charges	1,747,058	1,549,013	1,598,813
Total Disbursements	<u>38,606,180</u>	<u>10,799,791</u>	<u>11,979,877</u>

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The Library as a Whole (Continued)

Program receipts represent only 3 percent in 2011 (excluding bond refunding) and 2 percent in 2010 of total receipts and are primarily composed of fees associated with Library Services and overdue book fines.

Public Library Fund and Property Tax receipts, respectively, represent 28 and 60 percent in 2011 (excluding bond refunding), and 25 and 63 percent in 2010 of total receipts.

Governmental Activities

If you look at the Statement of Activities on page 11 and 16, 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. In 2011, the major program disbursements for governmental activities are for Public Services and Programs and Facilities Operations and Maintenance which account for 65 and 9 percent of all governmental disbursements (excluding debt service), respectively. In 2010, the major program disbursements for governmental activities are for Public Services and Programs and Facilities Operation and Maintenance, which account for 67 and 9 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.

Medina County District Library
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(Table 3)

Governmental Activities

	Total Cost Of Services 2011	Net Cost of Services 2011
Library Services:		
Public Service and Programs	\$ 4,943,857	\$ (4,943,857)
Collection Development and Processing	888,147	(597,512)
Support Services:		
Facilities Operation and Maintenance	723,239	(723,239)
Information Services	127,338	(127,338)
Business Administration	510,964	(510,964)
Capital Outlay	449,867	(449,867)
Debt Service:		
Principal Retirement	1,770,000	(1,770,000)
Payment of Refunding to Escrow Agent	27,445,710	(27,445,710)
Interest and Fiscal Charges	1,747,058	(1,747,058)
Total Expenses	\$ 38,606,180	\$ (38,315,545)

Governmental Activities

	Total Cost Of Services 2010	Net Cost of Services 2010
Library Services:		
Public Service and Programs	\$ 5,106,866	\$ (5,106,866)
Collection Development and Processing	859,579	(604,013)
Support Services:		
Facilities Operation and Maintenance	707,309	(707,309)
Information Services	125,040	(125,040)
Business Administration	525,187	(525,187)
Capital Outlay	216,797	(216,797)
Debt Service:		
Principal Retirement	1,710,000	(1,710,000)
Interest and Fiscal Charges	1,549,013	(1,549,013)
Total Expenses	\$ 10,799,791	\$ (10,544,225)

The dependence upon tax receipts and the Public Library Fund and other general revenues for governmental activities is demonstrated in the above tables. Over 98 percent of disbursements are supported through the Public Library Fund, tax receipts and other general revenues in 2011 and 2010.

In 2011, the Library's funds had receipts of \$39.3 million and disbursements of \$38.6 million, largely due to the debt refunding. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1.37 million as a result of the increase in Public Library receipt and decrease in Public Service and Programs. In 2010, total governmental funds had receipts of \$11.6 million and disbursements of \$10.8 million. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$1.1 million as the result of a decrease in Public Service and Programs.

Medina County District Library
Management's Discussion and Analysis
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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. Under GASB 34 presentation requirements, the Library is not required to present budgetary statements for Debt Service and Capital Project funds.

During 2010, the Library did not amend its General Fund budget. Final budgeted receipts were the same as original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$3,198 in 2011. In 2011, final disbursements were budgeted at \$7.9 million while actual disbursements were \$7.3 million. The difference between final budgeted receipts and actual receipts was \$418,283 in 2010. In 2010, final disbursements were budgeted at \$8 million while actual disbursements were \$7.4 million.

The Library kept spending well within total budgeted amounts and had budgetary fund balance of \$6.8 million for 2011 and \$5.4 million for 2010.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

As of December 31, 2011, the Library's outstanding debt included \$28,785,000 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 Public Library Fund being reduced to 95 percent of the FY 11 distribution and with the uncertainty of future tax funding, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

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.

Medina County District Library, Medina County

Statement of Net Assets - Cash Basis

For the Year Ended December 31, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalent	\$ 12,258,923
<i>Total Assets</i>	<u>\$ 12,258,923</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 2,302,890
Debt Service	1,756,743
Permanent Fund:	
Expendable	29,214
Nonexpendable	12,273
Other Purposes	1,221,856
Unrestricted	<u>6,935,947</u>
<i>Total Net Assets</i>	<u>\$ 12,258,923</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, 2011*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$ 4,943,858	-	\$ (4,943,858)
Collection Development and Processing	888,147	\$ 290,635	(597,512)
Support Services:			
Facilities Operation and Maintenance	723,239	-	(723,239)
Information Services	127,338	-	(127,338)
Business Administration	510,964	-	(510,964)
Capital Outlay	449,866	-	(449,866)
Debt Service:			
Principal Retirement	1,770,000	-	(1,770,000)
Payment of Refunding to Escrow Agent	27,445,710	-	(27,445,710)
Interest and Fiscal Charges	1,747,058	-	(1,747,058)
<i>Total Governmental Activities</i>	<u>38,606,180</u>	<u>290,635</u>	<u>(38,315,545)</u>
General Receipts:			
Library Fund			3,222,084
Property Taxes Levied for General Purposes			4,309,407
Property Taxes Levied for Debt Service			2,703,845
Unrestricted Gifts and Contributions			27,021
Grants/Entitlements not Restricted to Specific Programs			954,089
Earnings on Investments			29,839
Miscellaneous			56,903
Special Items:			
Sale of Bonds			25,020,000
Premium and Accrued Interest on Bonds			2,683,605
<i>Total General Receipts and Special Items</i>			<u>39,006,793</u>
Change in Net Assets			691,248
<i>Net Assets Beginning of Year</i>			<u>11,567,675</u>
<i>Net Assets End of Year</i>			<u>\$ 12,258,923</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, 2011

	General	Debt Service Fund	Construction Renovation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 6,935,947	\$ 1,756,743	\$ 1,343,390	\$ 2,222,843	\$ 12,258,923
<i>Total Assets</i>	<u>\$ 6,935,947</u>	<u>\$ 1,756,743</u>	<u>\$ 1,343,390</u>	<u>\$ 2,222,843</u>	<u>\$ 12,258,923</u>
Fund Balances					
Nonspendable	-	-	-	\$ 12,273	\$ 12,273
Restricted	-	\$ 1,756,743	\$ 1,343,390	2,030,698	5,130,831
Committed	-	-	-	179,872	179,872
Assigned	\$ 178,016	-	-	-	178,016
Unassigned (Deficit)	6,757,931	-	-	-	6,757,931
<i>Total Fund Balances</i>	<u>\$ 6,935,947</u>	<u>\$ 1,756,743</u>	<u>\$ 1,343,390</u>	<u>\$ 2,222,843</u>	<u>\$ 12,258,923</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, 2011

	General	Debt Service Fund	Construction Renovation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 4,309,407	\$ 2,703,845	\$ -	\$ -	\$ 7,013,252
Public Library	3,222,084	-	-	-	3,222,084
Intergovernmental	582,833	371,256	-	-	954,089
Patron Fines and Fees	290,635	-	-	-	290,635
Contributions, Gifts and Donations	26,989	-	-	32	27,021
Earnings on Investments	13,126	-	12,015	4,698	29,839
Miscellaneous	56,903	-	-	-	56,903
<i>Total Receipts</i>	<u>8,501,977</u>	<u>3,075,101</u>	<u>12,015</u>	<u>4,730</u>	<u>11,593,823</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	4,943,858	-	-	-	4,943,858
Collection Development and Processing	888,147	-	-	-	888,147
Support Services:					
Facilities Operation and Maintenance	723,239	-	-	-	723,239
Information Services	127,338	-	-	-	127,338
Business Administration	453,412	57,552	-	-	510,964
Capital Outlay	-	-	398,300	51,566	449,866
Debt Service:					
Principal Retirement	-	1,770,000	-	-	1,770,000
Interest and Fiscal Charges	-	1,747,058	-	-	1,747,058
<i>Total Disbursements</i>	<u>7,135,994</u>	<u>3,574,610</u>	<u>398,300</u>	<u>51,566</u>	<u>11,160,470</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,365,983</u>	<u>(499,509)</u>	<u>(386,285)</u>	<u>(46,836)</u>	<u>433,353</u>
Special Items:					
Special Item - Sale of Bonds	-	25,020,000	-	-	25,020,000
Special Item - Payment of Refunding to Escrow Agent	-	(27,445,710)	-	-	(27,445,710)
Special Item - Premium and Accrued Interest on Bond	-	2,683,605	-	-	2,683,605
<i>Net Change in Fund Balances</i>	1,365,983	(241,614)	(386,285)	(46,836)	691,248
<i>Fund Balances Beginning of Year</i>	<u>5,569,964</u>	<u>1,998,357</u>	<u>1,729,675</u>	<u>2,269,679</u>	<u>11,567,675</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,935,947</u>	<u>\$ 1,756,743</u>	<u>\$ 1,343,390</u>	<u>\$ 2,222,843</u>	<u>\$ 12,258,923</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 4,185,521	\$ 4,185,521	\$ 4,309,407	\$ 123,886
Public Library	3,410,483	3,410,483	3,222,084	(188,399)
Intergovernmental	590,000	590,000	582,833	(7,167)
Patron Fines and Fees	229,200	229,200	290,635	61,435
Contributions, Gifts and Donations	16,500	16,500	26,989	10,489
Earnings on Investments	10,000	10,000	13,126	3,126
Miscellaneous	57,075	57,075	56,903	(172)
<i>Total Receipts</i>	<i>8,498,779</i>	<i>8,498,779</i>	<i>8,501,977</i>	<i>3,198</i>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	5,128,800	5,157,835	4,972,040	185,795
Collection Development and Processing	1,001,632	1,073,751	1,008,261	65,490
Support Services:				
Facilities Operation and Maintenance	865,025	894,673	735,563	159,110
Information Services	161,500	172,500	140,720	31,780
Business Administration	592,660	607,477	457,426	150,051
<i>Total Disbursements</i>	<i>7,749,617</i>	<i>7,906,236</i>	<i>7,314,010</i>	<i>592,226</i>
<i>Net Change in Fund Balance</i>	<i>749,162</i>	<i>592,543</i>	<i>1,187,967</i>	<i>595,424</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>5,413,345</i>	<i>5,413,345</i>	<i>5,413,345</i>	<i>-</i>
Prior Year Encumbrances Appropriated	156,619	156,619	156,619	-
<i>Unencumbered Fund Balance End of Year</i>	<i>\$ 6,319,126</i>	<i>\$ 6,162,507</i>	<i>\$ 6,757,931</i>	<i>\$ 595,424</i>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County

Statement of Net Assets - Cash Basis

December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 11,567,675
<i>Total Assets</i>	<u>\$ 11,567,675</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 2,740,181
Debt Service	1,998,357
Permanent Fund:	
Expendable	29,214
Nonexpendable	12,273
Other Purposes	1,217,687
Unrestricted	<u>5,569,963</u>
<i>Total Net Assets</i>	<u>\$ 11,567,675</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, 2010*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u> <u>Governmental</u> <u>Activities</u>
Governmental Activities			
Library Services:			
Public Service and Programs	\$ 5,106,866	-	\$ (5,106,866)
Collection Development and Processing	859,579	\$ 255,566	(604,013)
Support Services:			
Facilities Operation and Maintenance	707,309	-	(707,309)
Information Services	125,040	-	(125,040)
Business Administration	525,187	-	(525,187)
Capital Outlay	216,797	-	(216,797)
Debt Service:			
Principal Retirement	1,710,000	-	(1,710,000)
Interest and Fiscal Charges	1,549,013	-	(1,549,013)
<i>Total Governmental Activities</i>	<u>\$ 10,799,791</u>	<u>\$ 255,566</u>	<u>\$ (10,544,225)</u>
General Receipts			
Library Fund			2,960,628
Property Taxes Levied for General Purposes			4,414,130
Property Taxes Levied for Debt Service			2,893,501
Unrestricted Gifts and Contributions			24,282
Grants/Entitlements not Restricted to Specific Programs			985,453
Earnings on Investments			47,894
Miscellaneous			66,443
<i>Total General Receipts</i>			<u>11,392,331</u>
Change in Net Assets			848,106
<i>Net Assets Beginning of Year</i>			<u>10,719,569</u>
<i>Net Assets End of Year</i>			<u>\$ 11,567,675</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Debt Service Fund	Construction Renovation Fund	Endowment Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 5,569,963	1,998,357	1,729,675	1,216,027	1,053,653	11,567,675
<i>Total Assets</i>	<u>\$ 5,569,963</u>	<u>1,998,357</u>	<u>1,729,675</u>	<u>1,216,027</u>	<u>1,053,653</u>	<u>11,567,675</u>
Fund Balances						
Nonspendable	-	-	-	-	\$ 12,273	\$ 12,273
Restricted	-	\$ 1,998,357	1,729,675	1,216,027	1,041,380	5,985,439
Assigned	\$ 156,618	-	-	-	-	156,618
Unassigned (Deficit)	5,413,345	-	-	-	-	5,413,345
<i>Total Fund Balances</i>	<u>\$ 5,569,963</u>	<u>\$ 1,998,357</u>	<u>\$ 1,729,675</u>	<u>\$ 1,216,027</u>	<u>\$ 1,053,653</u>	<u>\$ 11,567,675</u>

See accompanying notes to the basic financial statements

Medina County District Library, Medina County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Debt Service Fund	Construction Renovation Fund	Endowment Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 4,414,130	\$ 2,893,501	-	-	-	\$ 7,307,631
Public Library	2,960,628	-	-	-	-	2,960,628
Intergovernmental	591,838	393,615	-	-	-	985,453
Patron Fines and Fees	255,566	-	-	-	-	255,566
Contributions, Gifts and Donations	23,194	-	\$ 1,000	\$ 88	-	24,282
Earnings on Investments	22,870	-	17,007	6,915	\$ 1,102	47,894
Miscellaneous	66,304	-	139	-	-	66,443
<i>Total Receipts</i>	<u>8,334,530</u>	<u>3,287,116</u>	<u>18,146</u>	<u>7,003</u>	<u>1,102</u>	<u>11,647,897</u>
Disbursements						
Current:						
Library Services:						
Public Service and Programs	5,106,866	-	-	-	-	5,106,866
Collection Development and Processing	859,579	-	-	-	-	859,579
Support Services:						
Facilities Operation and Maintenance	707,309	-	-	-	-	707,309
Information Services	125,040	-	-	-	-	125,040
Business Administration	457,358	53,477	-	35	14,317	525,187
Capital Outlay	-	-	216,797	-	-	216,797
Debt Service:						
Principal Retirement	-	1,710,000	-	-	-	1,710,000
Interest and Fiscal Charges	-	1,549,013	-	-	-	1,549,013
<i>Total Disbursements</i>	<u>7,256,152</u>	<u>3,312,490</u>	<u>216,797</u>	<u>35</u>	<u>14,317</u>	<u>10,799,791</u>
<i>Net Change in Fund Balances</i>	1,078,378	(25,374)	(198,651)	6,968	(13,215)	848,106
<i>Fund Balances Beginning of Year</i>	<u>4,491,585</u>	<u>2,023,731</u>	<u>1,928,326</u>	<u>1,209,059</u>	<u>1,066,868</u>	<u>10,719,569</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,569,963</u>	<u>\$ 1,998,357</u>	<u>\$ 1,729,675</u>	<u>\$ 1,216,027</u>	<u>\$ 1,053,653</u>	<u>\$ 11,567,675</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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 3,642,930	\$ 3,642,930	\$ 4,414,130	\$ 771,200
Public Library	2,861,035	2,861,035	2,960,628	99,593
Intergovernmental	1,070,082	1,070,082	591,838	(478,244)
Patron Fines and Fees	233,400	233,400	255,566	22,166
Contributions, Gifts and Donations	14,800	14,800	23,194	8,394
Earnings on Investments	14,000	14,000	22,870	8,870
Miscellaneous	80,000	80,000	66,304	(13,696)
<i>Total receipts</i>	<u>7,916,247</u>	<u>7,916,247</u>	<u>8,334,530</u>	<u>418,283</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	5,278,427	5,278,427	5,135,901	142,526
Collection Development and Processing	1,030,899	1,030,899	941,698	89,201
Support Services:				
Facilities Operation and Maintenance	950,054	950,054	735,456	214,598
Information Services	122,000	122,000	125,040	(3,040)
Business Administration	628,787	628,787	474,675	154,112
<i>Total Disbursements</i>	<u>8,010,167</u>	<u>8,010,167</u>	<u>7,412,770</u>	<u>597,397</u>
<i>Net Change in Fund Balance</i>	(93,920)	(93,920)	921,760	1,015,680
<i>Fund Balance Beginning of Year</i>	4,358,091	4,358,091	4,358,091	-
Prior Year Encumbrances Appropriated	133,494	133,494	133,494	-
<i>Fund Balance End of Year</i>	<u>\$ 4,397,665</u>	<u>\$ 4,397,665</u>	<u>\$ 5,413,345</u>	<u>\$ 1,015,680</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
Endowment Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Contributions, Gifts and Donations	-	-	\$ 88	\$ 88
Earnings on Investments	10,000	10,000	6,915	(3,085)
<i>Total receipts</i>	10,000	10,000	7,003	(2,997)
Disbursements				
Current:				
Business Administration	100	100	35	65
<i>Total Disbursements</i>	100	100	35	65
<i>Net Change in Fund Balance</i>	9,900	9,900	6,968	(2,932)
<i>Fund Balance Beginning of Year</i>	1,209,059	1,209,059	1,209,059	-
<i>Fund Balance End of Year</i>	\$ 1,218,959	\$ 1,218,959	\$ 1,216,027	\$ (2,932)

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, 2011 and 2010

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include 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, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The statement of net assets-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.

Construction/Renovation Fund This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects and equipment purchases.

Endowment Fund This fund is used to account for donated receipts for Library materials and improvements.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

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, 2011 and 2010

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 2011 and 2010, investments were limited to STAR Ohio, 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, 2011 and 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2011 amounted to \$13,126 and during 2010 amounted to \$22,870.

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, 2011 and 2010

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 Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

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.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 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 a capital outlay expenditure are reported at inception. Lease payments are reported when paid. For more detail refer to Note 10 of these financial statements.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. In 2011, net assets were restricted for \$2,302,890 in the capital projects funds, \$1,756,743 in the debt service funds, \$41,487 in the permanent fund and \$1,221,856 for other purposes. In 2010, net assets were restricted for \$2,740,181 in the capital projects funds, \$1,998,357 in the debt service funds, \$41,487 in the permanent fund and \$1,217,687 for other purposes.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Note 3 – Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2010, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

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 and Endowment Fund (2010) 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, 2011 amounted to \$178,016 for the General Fund. Encumbrances outstanding at year-end December 31, 2010 amounted to \$156,618 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;

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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 2011 and 2010, the Library had \$1,089 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, 2011, \$3,177,554 of the Library’s bank balance of \$3,677,554, which includes \$1,800,000 of non-negotiable certificates of deposit and at December 31, 2010, \$3,154,624 of the Library’s bank balance of \$3,654,624 which includes \$1,800,000 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

As of December 31, 2011 and 2010, the Library had the following investments and maturities:

Investment Type	Fair Value 12/31/11	Maturity(1)	Fair Value 12/31/10	Maturity(1)	Rating(2)
Money Market	\$ 1,700,000	Daily	\$ 1,700,000	Daily	Aaa
STAR OHIO (investment pool)	8,697,262	Daily	8,029,363	Daily	Aaa
Total Investments	\$ 10,397,262		\$ 9,729,363		

(1) Weighted Maturity - Days

(2) S&P

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Deposits and Investments (Continued)

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 prior intangible tax of PLF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which 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, 2011 and 2010

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, 2011 and 2010, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for the years ended December 31, 2011 and 2010 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, 2011, 2010, and 2009 were \$526,400, \$521,788 and \$564,738, respectively. The full amount has been contributed for 2011, 2010 and 2009.

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, 2011 and 2010

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 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.

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 2011 and 2010, 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. In 2010, the portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated health care for the calendar year 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the 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.

The Library’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$150,400, \$189,459 and \$236,988, 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, 2011 and 2010

Note 10 – Long –Term Liabilities

The changes in the Library’s long-term obligations during 2011 and 2010 consist of the following:

	Principal Outstanding 1/1/2011	Additions	Reductions	Principal Outstanding 12/31/2011	Amounts Due In One Year
Governmental Activities					
2011 Current Interest Bonds	\$ -	\$ 24,975,000	\$ -	\$ 24,975,000	\$ 175,000
2011 Capital Appreciation Bonds	-	45,000	-	45,000	-
2003 General Obligation Bonds	30,555,000	-	26,790,000	3,765,000	1,840,000
Total	\$ 30,555,000	\$ 25,020,000	\$ 26,790,000	\$ 28,785,000	\$ 2,015,000
	Principal Outstanding 1/1/2010	Additions	Reductions	Principal Outstanding 12/31/2010	Amounts Due In One Year
Governmental Activities					
2003 General Obligation Bonds	\$ 32,265,000	\$ -	\$ 1,710,000	\$ 30,555,000	\$ 1,770,000

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.

Principal and interest requirements to retire long-term liabilities outstanding at December 31, 2011, are as follows:

Year Ending December 31,	2003 Series General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 1,840,000	\$ 159,925	\$ 1,999,925
2013	1,925,000	77,000	2,002,000
Total	\$ 3,765,000	\$ 236,925	\$ 4,001,925

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 – Long –Term Liabilities (Continued)

Year Ending Dec. 31,	Current Interest Bonds		Capital Appreciation Bonds		
	Principal	Interest	Principal	Interest	Total
2012	\$ 175,000	\$ 894,736			
2013	110,000	946,663			
2014	2,110,000	944,463			
2015	2,200,000	860,063			
2016	2,240,000	816,063			
2017-2021	12,295,000	2,775,664	\$ 45,000	\$ 180,005	\$ 225,005
2022-2023	5,845,000	268,513			
Total	<u>\$ 24,975,000</u>	<u>\$ 7,506,163</u>	<u>\$ 45,000</u>	<u>\$ 180,005</u>	<u>\$ 225,005</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:

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 11 – Fund Balances (Continued)

2011					
Fund Balances	General	Debt Service Fund	Construction Renovation Fund	Other Governmental Funds	Total
Nonspendable					
Endowment for Non Expendable Trust	\$ -	\$ -	\$ -	\$ 12,273	\$ 12,273
<i>Total Nonspendable</i>	-	-	-	12,273	12,273
Restricted for					
Debt Service	-	1,756,743	-	-	1,756,743
Library Renovations	-	-	1,343,390	-	1,343,390
Capital Improvements	-	-	-	779,628	779,628
Material and Supplies	-	-	-	1,660	1,660
Endowment for Expendable Trust	-	-	-	29,214	29,214
Other Purposes	-	-	-	1,220,196	1,220,196
<i>Total Restricted</i>	-	1,756,743	1,343,390	2,030,698	5,130,831
Committed to					
Renovation to Seville Library	-	-	-	159,776	159,776
Structure Analysis to Lodi Library	-	-	-	18,950	18,950
Vendors	-	-	-	1,146	1,146
<i>Total Committed</i>	-	-	-	179,872	179,872
Assigned to					
Vendors	178,016	-	-	-	178,016
<i>Total Assigned</i>	178,016	-	-	-	178,016
Unassigned (Deficit)	6,757,931	-	-	-	6,757,931
<i>Total Fund Balances</i>	<u>\$ 6,935,947</u>	<u>\$ 1,756,743</u>	<u>\$ 1,343,390</u>	<u>\$ 2,222,843</u>	<u>\$ 12,258,923</u>

Medina County District Library
Medina County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 11 – Fund Balances (Continued)

2010						
Fund Balances	General	Debt Service Fund	Construction Renovation Fund	Endowment Fund	Other Governmental Funds	Total
Nonspendable						
Endowment for Non Expendable Trust	\$ -	\$ -	\$ -	\$ -	\$ 12,273	\$ 12,273
<i>Total Nonspendable</i>	-	-	-	-	12,273	12,273
Restricted for						
Debt Service	-	1,998,357	-	-	-	1,998,357
Library Renovations	-	-	1,729,675	-	-	1,729,675
Capital Improvements	-	-	-	1,216,027	1,010,506	2,226,533
Material and Supplies	-	-	-	-	1,660	1,660
Endowment for Expendable Trust	-	-	-	-	29,214	29,214
<i>Total Restricted</i>	-	1,998,357	1,729,675	1,216,027	1,041,380	5,985,439
Assigned to						
Vendors	156,618	-	-	-	-	156,618
<i>Total Assigned</i>	156,618	-	-	-	-	156,618
Unassigned (Deficit)						
	5,413,345	-	-	-	-	5,413,345
<i>Total Fund Balances</i>	<u>\$ 5,569,963</u>	<u>\$ 1,998,357</u>	<u>\$ 1,729,675</u>	<u>\$ 1,216,027</u>	<u>\$ 1,053,653</u>	<u>\$ 11,567,675</u>

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**INDEPENDENT ACCOUNTANTS' 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 S Broadway St.
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Medina County District Library, Medina County (the Library) as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 24, 2012, wherein we noted the Library followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We noted the Library implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented or detected and timely corrected.

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

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, providing an opinion 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*.

We noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated May 24, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Library. We intend it for no one other than these specified parties.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.

May 24, 2012

**Medina County District Library
Medina County, Ohio
For the Years Ended December 31, 2011 and 2010**

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2009 and 2008, reported no material citations or recommendations.



Dave Yost • Auditor of State

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
OCTOBER 11, 2012**