



Dave Yost • Auditor of State

HUBBARD PUBLIC LIBRARY
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis.....	11
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis -Governmental Funds	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – General Fund.....	13
Notes to the Basic Financial Statements	15
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hubbard Public Library
Trumbull County
436 West Liberty Street
Hubbard, Ohio 44425

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 Hubbard Public Library, Trumbull County, Ohio (the Library), as of and for the year ended December 31, 2011 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 opinions 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, 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 Hubbard Public Library, Trumbull County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2011, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

As described in Note 4, during 2011 the Hubbard Public 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 25, 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.



Dave Yost
Auditor of State

May 25, 2012

Hubbard Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

This discussion and analysis of the Hubbard Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2011, 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 are as follows:

Net assets of governmental activities increased \$170,452, or 31% a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized an increase of funding due to the Tax Levy passed in 2010; however economic conditions affected other funds.

The Library's general receipts are primarily revenue generated from property taxes and the State of Ohio general fund state taxes, Public Library Fund (PLF). These receipts represent respectively 31% and 61% of the total cash received for governmental activities during the year. Property tax receipts increased 100% due to the Tax Levy passing in 2010. PLF receipts for 2011 increased \$30,345 compared to 2010 as the economy statewide begun to show improvement.

The Library's general fund received \$1,092,156 in revenue and \$1,015,278 in expenditures for the year 2011.

Using the Basic Financial Statements

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

Report Components

The statement of net assets 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.

Hubbard Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2011, 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 requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other 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 and income taxes.

In the statement of net assets and the statement of activities, Library activities are comprised of governmental activities only.

Governmental activities - All of the Library's basic services are reported here, Public Library Fund: State of Ohio general fund tax revenue and charges for service finance 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 governmental.

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 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 only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Hubbard Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2011	2010
Assets		
Cash and Cash Equivalents	\$690,669	\$543,217
Investments	23,000	0
Total Assets	\$713,669	\$543,217
Net Assets		
Restricted for:		
Special Service	\$25,454	\$23,731
Capital Outlay	501,103	409,262
Permanent	1,097	1,087
Unrestricted	186,015	109,137
Total Net Assets	\$713,669	\$543,217

As mentioned previously, net assets of governmental activities increased \$170,452, or 31% during 2011. The primary reason contributing to the increase is due to the Tax Levy that passed in 2010.

Hubbard Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$23,003	\$17,936
Operating Grants and Contributions	0	0
Capital Grants and Contributions		
Total Program Receipts	<u>23,003</u>	<u>17,936</u>
General Receipts:		
Public Library Fund-PLF	661,732	631,386
Property Tax Levy	397,957	0
Contributions-unrestricted	8,800	20,544
Other Taxes	6,110	
Interest	2,564	4,716
Miscellaneous	1,021	3,112
Total General Receipts	<u>1,078,183</u>	<u>659,758</u>
Total Receipts	<u>1,101,186</u>	<u>677,694</u>
Disbursements:		
Library Services:		
Public Services	880,003	638,780
Support Services:		
Information Services	450	450
Capital Outlay	50,282	20,395
Total Disbursements	<u>930,735</u>	<u>659,625</u>
Excess (Deficiency) Before Transfers	170,451	18,069
Transfers out	<u>(147,248)</u>	<u>(55,236)</u>
Increase (Decrease) in Net Assets	23,203	(37,167)
Net Assets, January 1, 2011	<u>543,217</u>	<u>525,148</u>
Net Assets, December 31, 2011	<u>\$713,669</u>	<u>\$543,217</u>

Program receipts represent only 2.1% of total receipts and are primarily comprised of restricted intergovernmental receipts and library fees.

Hubbard Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

General receipts represent 97.9 % of the Library's total receipts, and of this amount, 99 % are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of providing literary services and programs for the general public and the costs of payroll and purchasing. These costs do not represent direct services to users.

Governmental Activities

If you look at the Statement of Activities on page 8, 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. The major program disbursements for governmental activities are for salaries and benefits and library information. In Table 3 below, the total cost of services column contains all costs related to programs and the net cost column shows how much of the amount is not covered by program revenues.

(Table 3)				
Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
Library Services:				
Public Services /Programs	\$880,003	\$857,000	\$638,780	\$621,384
Support Services:				
Information Services	450	450	450	450
Capital Outlay	50,281	50,281	20,395	20,395
Total Expenses	\$930,734	\$907,731	\$659,625	\$642,229

The dependence on general fund receipts from the PLF and Property Taxes is apparent as governmental activities are supported through these general receipts. Interest and patron donations help generate additional revenue, although very unpredictable.

The Library's Funds

Total governmental funds had receipts of \$1,248,434 and disbursements of \$1,077,983. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$336,601 as the result of the Property Tax Levy that was passed in 2010.

General Fund receipts were greater than disbursements by \$ 76,878 indicating that the General Fund is in a surplus spending situation. Library management has been cautious in spending and scrutinizing expenditures. PLF growth in 2012 is not expected, and projected revenues in this fund is already expected to be smaller than 2011. Reductions to operations, maintenance and Library personnel are not expected at this time. Management is being watchful as to the source of disbursement of state revenue to libraries. In the case of PLF elimination, another source of funding would need to be sought, though it is not expected at this time.

General Fund Budgeting Highlights

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

During 2011, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts due to a slight increase in the additional sources of revenue. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,195,495 while actual disbursements were \$1,050,697 The Library kept spending well below the budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Library does keep track of its capital assets and infrastructure. The Library has acquired a software package to accomplish this task and is in the process of entering the necessary information. It is updated as necessary. A complete inventory of Library material and capital assets are readily available.

Debt

The Library has no outstanding debt.

Current Issues

The challenge for Hubbard Public Library to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library still relies heavily upon state taxes which accounts for nearly 61% of Library revenue. Financial forecast predicts a deficit for 2012; therefore, the finance committee, the administration and the Board of Trustees are monitoring the national and state level economic status very closely. Alternative funding has been created with the Property Tax Levy in 2010, however that will provide 31% of our funding. We have reviewed our sources of revenue and determined that increases beyond this point are unlikely for the near future. Operating, maintenance and personnel levels have all risen with the passage of the levy, though management is still being cautious since the future of the Public Library Fund is still in debate. Further reductions in staffing and operations may be necessary because funding in the future is unpredictable, though none are expected at this time.

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:

Geraldine J. Bray, Fiscal Officer
Hubbard Public Library
436 West Liberty Street
Hubbard, OH 44425

Hubbard Public Library
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$690,669
Investments	23,000
<i>Total Assets</i>	<i>\$713,669</i>
 Net Assets	
Restricted for:	
Capital Projects	\$525,405
Permanent Fund Purpose:	
Expendable	97
Nonexpendable	1,000
Other Purposes	1,152
Unrestricted	186,015
<i>Total Net Assets</i>	<i>\$713,669</i>

See accompanying notes to the basic financial statements

Hubbard Public Library
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts		Net (Disbursements) Receipts and Changes In Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$ 880,002	\$ 23,002	\$ (857,000)
Support Services:			
Information Services	450		\$ (450)
Capital Outlay	50,281		\$ (50,281)
<i>Total Governmental Activities</i>	<u>930,733</u>	<u>23,002</u>	<u>(907,731)</u>
General Receipts:			
Property Taxes Levied for General Purposes			397,956
Public Library			661,731
Other Local Taxes			6,110
Unrestricted Gifts and Contributions			8,800
Earnings on Investments			2,565
Miscellaneous			1,021
<i>Total General Receipts</i>			<u>1,078,183</u>
Change in Net Assets			170,452
<i>Net Assets Beginning of Year</i>			<u>543,217</u>
<i>Net Assets End of Year</i>			<u>\$713,669</u>

See accompanying notes to the basic financial statements

Hubbard Public Library
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2011

	General	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$186,015	\$426,906	\$77,748	\$690,669
Investments			23,000	23,000
<i>Total Assets</i>	<u>\$186,015</u>	<u>\$426,906</u>	<u>\$100,748</u>	<u>\$713,669</u>
Fund Balances				
Nonspendable			\$1,446	\$1,446
Restricted			\$24,302	24,302
Assigned	38,094	426,906	75,000	540,000
Unassigned (Deficit)	147,921	0	0	147,921
<i>Total Fund Balances</i>	<u>\$186,015</u>	<u>\$426,906</u>	<u>\$100,748</u>	<u>\$713,669</u>

See accompanying notes to the basic financial statements

Hubbard Public Library
*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	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$402,989	\$397,956	\$336,601	(\$61,355)
Public Library	693,623	661,731	661,732	1
Intergovernmental			61,355	61,355
Patron Fines and Fees	14,500	14,707	15,178	471
Services Provided to Other Entities		7,625	7,825	200
Contributions, Gifts and Donations	5,000	6,108	6,110	2
Earnings on Investments	5,000	2,258	2,334	76
Miscellaneous	500	1,020	1,021	1
<i>Total Receipts</i>	1,121,612	1,091,405	1,092,156	751
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,089,456	902,255	875,855	26,400
Capital Outlay	106,243	145,924	27,594	118,330
<i>Total Disbursements</i>	1,195,699	1,048,179	903,449	144,730
<i>Excess of Receipts Over (Under) Disbursements</i>	(74,087)	43,226	188,707	145,481
Other Financing Sources (Uses)				
Transfers Out		(147,316)	(147,248)	68
Other Financing Uses	(30,000)			0
<i>Total Other Financing Sources (Uses)</i>	(30,000)	(147,316)	(147,248)	68
<i>Net Change in Fund Balance</i>	(104,087)	(104,090)	41,459	145,549
<i>Unencumbered Fund Balance Beginning of Year</i>	85,608	85,608	85,608	0
Prior Year Encumbrances Appropriated	23,530	23,530	23,530	0
<i>Unencumbered Fund Balance End of Year</i>	\$5,050	\$5,047	\$150,596	\$145,549

See accompanying notes to the basic financial statements

Hubbard Public Library
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2011

	General	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$336,601	\$0	\$0	\$336,601
Public Library	661,732			661,732
Intergovernmental	61,355		8,800	70,155
Patron Fines and Fees	15,178			15,178
Services Provided to Other Entities	7,825			7,825
Contributions, Gifts and Donations	6,110			6,110
Earnings on Investments	2,334		230	2,564
Miscellaneous	1,021			1,021
<i>Total Receipts</i>	<u>1,092,156</u>	<u>0</u>	<u>9,030</u>	<u>1,101,186</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	850,464		29,539	880,003
Support Services:				
Information Services			450	450
Capital Outlay	17,566	12,716	20,000	50,282
<i>Total Disbursements</i>	<u>868,030</u>	<u>12,716</u>	<u>49,989</u>	<u>930,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>224,126</u>	<u>(12,716)</u>	<u>(40,959)</u>	<u>170,451</u>
Other Financing Sources (Uses)				
Transfers In		97,800	49,448	147,248
Transfers Out	(147,248)			(147,248)
<i>Total Other Financing Sources (Uses)</i>	<u>(147,248)</u>	<u>97,800</u>	<u>49,448</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	76,878	85,084	8,489	170,451
<i>Fund Balances Beginning of Year</i>	109,137	341,822	92,258	543,217
<i>Fund Balances End of Year</i>	<u>\$186,015</u>	<u>\$426,906</u>	<u>\$100,747</u>	<u>\$713,668</u>

See accompanying notes to the basic financial statements

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Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 1 – Description of the Library and Reporting Entity

The Hubbard Public Library (the Library) was organized as a school district public library in 1947 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Hubbard Exempted Village School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

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

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. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. 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 Friends of the Hubbard Public Library 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. Therefore, this organization has been excluded from the reporting entity of the Library.

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 Hubbard 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 America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies -(Continued)

Basis of Presentation

The Library's basic financial statements consist of government-wide 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 the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements - During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. 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 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 and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building and Repair Fund The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital and technology improvements.

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. The Library received a bequest and has a Special Revenue Fund (Malin/Camp Gift Fund) for this purpose. The Library has classified the Dr. Schneider Memorial Fund as a Permanent Fund. Such fund is only permitted to spend the interest to support the program.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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.

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.

Cash and Cash Equivalents

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

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

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

During 2011, investments were limited to a money market fund, STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by PNC Bank on December 31, 2011.

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, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2011 amounted to \$2,334. Per the Library Board of Trustees, interest earned on monies in the Building/Repair Fund was receipted to this fund.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library did not have any restricted assets on December 31, 2011.

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. 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.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (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.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees who have been employed by the Library for more than one (1) year are entitled to cash payments for unused leave. Therefore, unpaid vacation leave is not reflected as a liability under the Library's modified cash basis of accounting.

All full time and part time employees who work 20 or more hours a week earn vacation leave by a monthly rate affected by length of service. Vacation allowance may not be carried forward from one year to the next. Unused accrued vacation leave is paid to the employee upon departure of employment.

Sick leave is accrued by full time employees at the rate of 10 hours a month. Eligible employees qualify for this benefit upon completing the first full month of employment. Total accrued sick leave may not exceed 960 hours. Unused accrued sick leave benefits are not paid upon departure of employment.

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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Net assets restricted for special revenue include donations of money from patrons to be used for books in honor or memory of their choice. Restricted permanent assets are used to purchase books for Dr. Schneider's Memorial section of the Library.

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

Last year, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2011, 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 and nonmajor funds as previously reported.

Note 5 – Accountability and Compliance

Accountability

For 2011, there were no deficit fund balances/net assets.

Compliance

For 2011, there were no violations of finance-related legal or contractual provisions.

Note 6 – 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) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$35,419 for the general fund and \$1,993 for the Building/Repair Fund.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 – Deposits and Investments (Continued)

Investments may only be made through specified dealers and institutions. 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 clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$180 in undeposited cash on hand which is included as part of “Cash” or “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of 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, \$0 of the Library’s bank balance of \$713,669 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, the Library had the following investments:

	Carrying Value	Maturity
Demand Deposits	\$439,783	
Certificate of Deposits	223,000	Average
STAROhio - Building	50,886	Average
Total Portfolio	\$713,669	

Interest Rate Risk Interest rate risk arises because the fair value of investment changes as interest rates change. The Library has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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 and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 7 – Deposits and Investments (Continued)

Concentration of Credit Risk The Library places no limit on the amount it may invest in any one issuer. The following investment represents five percent or more of total investments as of December 31, 2011:

Investment Issuer	Investments
Certificate of Deposits	31 %
Demand Deposits	62 %

Note 8 - Property Taxes

Property taxes include amounts levied against all real property located in the Hubbard Exempted Village School District. Property tax revenue received during 2011 for real property taxes represents collections of 2010 taxes.

2011 real property taxes are levied on the assessed value as of January 1, 2011. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually.

The full tax rate for all Library operations for the year ended December 31, 2011, was \$1.90 per \$1,000 of assessed value. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

Real Property	\$207,295,920
Public Utility Personal Property	4,803,620
Total	\$212,099,540

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

Note 9 - Risk Management

The Library has obtained commercial insurance for the following risks:

- Comprehensive Property and Commercial Insurance
- Errors and Omissions Liability

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

The Library also provides health, dental, vision, and life insurance for all eligible employees. Coverage varies according to full or part time status and family or single plan. The System administers and pays all claims.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 10 - 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 - a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan - 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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377

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, 2011, 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 2011, member and employer contribution rates were consistent across all three plans.

The Library's required contributions for pension obligations to plans for the years ended December 31, 2011, 2010, and 2009 were \$101,529.61, \$78,027.44, and \$103,650, respectively; 100 percent has been contributed for 2011 and 100 percent for 2010 and 2009. No contributions to the Member-Directed Plan were made.

Note 11 - 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.

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 11 - Postemployment Benefits (Continued)

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 Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

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.

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	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable				
Principle of Permanent Funds			\$1,446	\$1,446
				0
<i>Total Nonspendable</i>	0	0	1,446	1,446
Restricted for				
Filtering			1,150	1,150
Library Materials			23,152	23,152
<i>Total Restricted</i>	0	0	24,302	24,302
Assigned to				
Building Maintenance		426,906		426,906
Encumbered	35,419			35,419
Technology			75,000	75,000
Technology Fund Interest	2,675			2,675
<i>Total Assigned</i>	38,094	426,906	75,000	540,000
Unassigned	147,921			147,921
<i>Total Fund Balances</i>	\$186,015	\$426,906	\$100,748	\$713,669

Hubbard Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 13 – Interfund Transfers

The general fund transferred \$147,248.11 to the building and repair capital projects fund for the purchase and maintenance of various items throughout the Library.

Note 14 -- Public Entity Shared Risk Pool

The Library participates in the Northeast Ohio Regional Library System Insurance Consortium, a shared risk pool comprised of member libraries throughout Northeast Ohio. The purpose of the Consortium is to establish and maintain a fund to which Consortium Members will contribute to provide and/or purchase medical, prescription drug, vision, dental, life, and other insurance benefits for employees and their eligible dependents or beneficiaries. The members of the Board of Trustees of the Northeast Ohio Regional Library System shall be members of the Board of Trustees of the Consortium. The Consortium revenues are generated from charges for services.

Note 15 -- Jointly Governed Organization

The Trumbull Library Consortium is a jointly governed organization comprised of six libraries in Trumbull County. The purpose of the Consortium is for member libraries to work cooperatively on projects to improve the quality of library services to residents of Trumbull County.

Each member library shall appoint one representative to Council. Member libraries are billed annually for their fair share of any program costs. All disbursements are made only upon direction of a majority vote of the Trumbull Library Consortium Council.

The Consortium have entered into agreements with the Library Corporation Inc. (ended on September 30, 2011) and CLEVENET (started on October 1, 2011), both companies offer the same services, which have developed a computerized system consisting of hardware and software for authority control, cataloging management, public access catalog, circulation, external/internal multimedia database access, and internet sessions. The computerized system is currently in use and providing services onsite at the location of each member library.

Note 16 -- Subsequent Events

Hubbard Public Library depends primarily on the Public Library Fund (PLF) established by the State of Ohio with revenue coming from the Ohio general fund state taxes. Prior to the PLF, the primary source of funding was the Local Library Government Support Fund (LLGSF), which was a portion of state income tax revenue disbursed to libraries. Since the implementation of the PLF in 2009, revenue distribution has been drastically reduced at the state level. This led to the library passing a 1.9 mill property tax levy in 2010, which generates approximately 31 percent of the revenue in 2011. For monies from the PLF, the Trumbull County Libraries negotiate and reformulate the amount of dollars each Library will be entitled to for the upcoming year. The current agreement ends in 2012.

Library funding is continually affected by demographics and political changes in the State government. As the PLF is dependent on Ohio State Tax revenue, economic conditions have caused uncertain predictions for the near future.



Dave Yost • Auditor of State

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

Hubbard Public Library
Trumbull County
436 West Liberty Street
Hubbard, Ohio 44425

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 Hubbard Public Library, Trumbull County, (the Library) as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 25, 2012, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34 and the Library implemented Governmental Accounting Standards Board Statement No. 54. We also noted the Government processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 Control 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 opinion 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 intend this report solely for the information and use of management, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

May 25, 2012



Dave Yost • Auditor of State

HUBBARD PUBLIC LIBRARY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 21, 2012