

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO**

**FINANCIAL STATEMENTS  
(AUDITED)**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

**DOLORES AIKEN, FISCAL OFFICER**





# Dave Yost • Auditor of State

Board of Trustees  
Shaker Heights Public Library  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

We have reviewed the *Independent Auditor's Report* of the Shaker Heights Public Library, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. 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 Shaker Heights Public 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

June 28, 2013

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**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## **Independent Auditor's Report**

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Shaker Heights Public Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2012, the Shaker Heights Public Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

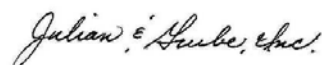
We audited to opine on the Shaker Heights Public Library's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

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. We subjected this information 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Shaker Heights Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shaker Heights Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.

June 14, 2013



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**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2012, within the limitations of the Library's cash basis of 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 2012 are as follows:

- 2012 general library services disbursements are less than 2011 disbursement due to less maintenance expenses and the IT manager position not being filled.
- The Library's intergovernmental revenue decreased compared to 2011 due to the elimination of the public utility property tax reimbursement funding by the State.
- The Library recently celebrated its 75<sup>th</sup> Anniversary and the Friends of the Library fund provided financial support and raised nearly \$7,500.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

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**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 the financial statements on a cash basis of accounting. This approach is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**Reporting the Library as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2012, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year-end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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 non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, and the need for continued growth in the major local revenue sources such as property taxes and the Public Library Fund (PLF).

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

**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 restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

*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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's 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.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

	Governmental Activities		
	2012	2011	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,692,999	\$1,537,664	\$155,335
<b>Net Position</b>			
Restricted for			
Other Purposes	\$6,712	\$9,115	(\$2,403)
Unrestricted	1,686,287	1,528,549	157,738
Total Net Position	\$1,692,999	\$1,537,664	\$155,335

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

Table 2 reflects the changes in net position in 2012 compared to 2011 on a cash basis:

(Table 2)  
**Changes in Net Position**

	Governmental Activities		
	2012	2011	Change
<b>Receipts:</b>			
<i><b>Program Receipts</b></i>			
Charges for Services and Sales	\$182,023	\$148,999	\$33,024
Operating Grants and Contributions	18,555	74,811	(56,256)
<i>Total Program Receipts</i>	<u>200,578</u>	<u>223,810</u>	<u>(23,232)</u>
<i><b>General Receipts</b></i>			
Property Taxes	2,886,278	2,913,919	(27,641)
Grants and Entitlements Not Restricted to Specific Programs	1,802,487	1,905,593	(103,106)
Unrestricted Contributions and Donations	23,623	54,980	(31,357)
Interest	3,232	2,978	254
Miscellaneous	41,707	58,179	(16,472)
<i>Total General Receipts</i>	<u>4,757,327</u>	<u>4,935,649</u>	<u>(178,322)</u>
<i>Total Receipts</i>	<u>4,957,905</u>	<u>5,159,459</u>	<u>(201,554)</u>
<b>Disbursements:</b>			
Instruction:			
General Library Services	4,722,668	4,742,662	19,994
Capital Outlay	79,902	57,840	(22,062)
<i>Total Disbursements</i>	<u>4,802,570</u>	<u>4,800,502</u>	<u>(2,068)</u>
Excess of Receipts over Disbursements	155,335	358,957	(203,622)
Net Position Beginning of Year	<u>1,537,664</u>	<u>1,178,707</u>	<u>358,957</u>
Net Position End of Year	<u><u>\$1,692,999</u></u>	<u><u>\$1,537,664</u></u>	<u><u>\$155,335</u></u>

Property taxes and intergovernmental receipts in 2012 are 94.57 percent of total receipts. Intergovernmental revenue decreased, primarily due to decreased homestead and rollback. Earnings on investments increased during 2012, due to increased cash and cash equivalents available for investment.

Disbursements for general library services represent the costs of running the Library. These disbursements decreased slightly in 2012 due to the heating, ventilation, and air conditioning system repair expenses in 2011 not recurring in 2012.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

**Governmental Activities**

If you look at the Statement of Activities, 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 disbursements for governmental activities are general library services and capital outlay. The next two columns of the Statement, entitled Program Cash Receipts, identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$4,722,668	(\$4,522,090)	\$4,742,662	(\$4,518,852)
Capital Outlay	79,902	(79,902)	57,840	(57,840)
<i>Total Disbursements</i>	<b>\$4,802,570</b>	<b>(\$4,601,992)</b>	<b>\$4,800,502</b>	<b>(\$4,576,692)</b>

**The Library's Funds**

Total governmental funds had receipts in 2012 of \$4,957,905, and disbursements of \$4,802,570. The fund balance of the general fund increased \$169,419 in 2012, primarily due to the increased amount of property taxes.

**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 calendar year 2012, the Library's general fund budget was stable. Final disbursements and advances for 2012 were budgeted at \$5,266,677, while actual disbursements and advances were \$4,924,636. Maintaining actual disbursements below projected levels allowed the Library to minimize decreases to the general fund during this period.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2012*  
*Unaudited*

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**Debt Administration**

At December 31, 2012, the Library had no debt obligations.

**Current Issues**

The current area of concern is the loss of \$201,554 in income. The property values were reassessed downward and the Library levy proceeds were reduced. The Library administration is currently working on a plan to reduce expenses, and allow the Library to continue operating without significantly reducing services.

**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 Dolores Aiken, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,692,999</u>
<b>Net Position</b>	
Restricted for Other Purposes	\$6,712
Unrestricted	<u>1,686,287</u>
<i>Total Net Position</i>	<u><u>\$1,692,999</u></u>

See accompanying notes to the basic financial statements



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
<b>Governmental Activities</b>				
General Library Services	\$4,722,668	\$182,023	\$18,555	(\$4,522,090)
Capital Outlay	79,902	0	0	(79,902)
<i>Total Governmental Activities</i>	<u>\$4,802,570</u>	<u>\$182,023</u>	<u>\$18,555</u>	<u>(4,601,992)</u>
<b>General Receipts</b>				
Property Taxes Levied for General Purposes				2,886,278
Grants and Entitlements not Restricted to Specific Programs				1,802,487
Unrestricted Contributions and Donations				23,623
Interest				3,232
Miscellaneous				41,707
<i>Total General Receipts</i>				<u>4,757,327</u>
Change in Net Position				155,335
<i>Net Position Beginning of Year</i>				<u>1,537,664</u>
<i>Net Position End of Year</i>				<u>\$1,692,999</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,623,071	\$69,928	\$1,692,999
<b>Fund Balances</b>			
Restricted	\$0	\$6,712	\$6,712
Committed	0	63,216	63,216
Assigned	831,753	0	831,753
Unassigned	791,318	0	791,318
<i>Total Fund Balances</i>	\$1,623,071	\$69,928	\$1,692,999

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$2,886,278	\$0	\$2,886,278
Intergovernmental	1,802,487	18,555	1,821,042
Patron Fines and Fees	182,023	0	182,023
Contributions and Donations	3,472	20,151	23,623
Earnings on Investments	3,167	65	3,232
Miscellaneous	40,879	828	41,707
<i>Total Receipts</i>	<u>4,918,306</u>	<u>39,599</u>	<u>4,957,905</u>
<b>Disbursements</b>			
Current:			
General Library Services	4,665,985	56,683	4,722,668
Capital Outlay	79,902	0	79,902
<i>Total Disbursements</i>	<u>4,745,887</u>	<u>56,683</u>	<u>4,802,570</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>172,419</u>	<u>(17,084)</u>	<u>155,335</u>
<b>Other Financing Sources (Uses)</b>			
Advances In	11,200	14,200	25,400
Advances Out	(14,200)	(11,200)	(25,400)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000)</u>	<u>3,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	169,419	(14,084)	155,335
<i>Fund Balances Beginning of Year</i>	<u>1,453,652</u>	<u>84,012</u>	<u>1,537,664</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,623,071</u></u>	<u><u>\$69,928</u></u>	<u><u>\$1,692,999</u></u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$2,811,193	\$2,961,333	\$2,886,278	(\$75,055)
Intergovernmental	1,755,596	1,849,359	1,802,487	(46,872)
Patron Fines and Fees	177,288	186,756	182,023	(4,733)
Contributions and Donations	3,382	3,562	3,472	(90)
Earnings on Investments	3,085	3,249	3,167	(82)
Miscellaneous	39,815	41,943	40,879	(1,064)
<i>Total Receipts</i>	<u>4,790,359</u>	<u>5,046,202</u>	<u>4,918,306</u>	<u>(127,896)</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,129,677	5,142,931	4,801,317	341,614
Capital Outlay	112,500	109,546	109,119	427
<i>Total Disbursements</i>	<u>5,242,177</u>	<u>5,252,477</u>	<u>4,910,436</u>	<u>342,041</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(451,818)</u>	<u>(206,275)</u>	<u>7,870</u>	<u>214,145</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	10,909	11,491	11,200	(291)
Advances Out	(7,200)	(14,200)	(14,200)	0
<i>Total Other Financing Sources (Uses)</i>	<u>3,709</u>	<u>(2,709)</u>	<u>(3,000)</u>	<u>(291)</u>
<i>Net Change in Fund Balance</i>	(448,109)	(208,984)	4,870	213,854
<i>Fund Balance Beginning of Year</i>	1,261,996	1,261,996	1,261,996	0
Prior Year Encumbrances Appropriated	191,656	191,656	191,656	0
<i>Fund Balance End of Year</i>	<u>\$1,005,543</u>	<u>\$1,244,668</u>	<u>\$1,458,522</u>	<u>\$213,854</u>

See accompanying notes to the basic financial statements

## **Shaker Heights Public Library**

### **Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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#### **Note 1 – Description of the Library and Reporting Entity**

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s 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, 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 3375.41 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 Shaker Heights City School District (“School District”) although the School District 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 School District.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, the Library is considered to be a related organization of the Shaker Heights City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt of the levying of taxes. The Library does not have any component units.

The Friends of the Shaker Heights Public Library, Inc. 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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2, the financial statements of the 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”). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library’s accounting policies are described below.

***Basis of Presentation***

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

The statement of net position presents the cash balances of the 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. Program receipts include charges paid by the recipient of the program’s goods or services, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library’s general receipts.

Fund Financial Statements During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

***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.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the Library's major governmental fund.

*General Fund* - The general fund accounts for and reports all financial resources except those required to be 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.

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

***Basis of Accounting***

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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 budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the object level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed. Prior to December 31, the Board requested and received an amended certificate in which estimated receipts reflects actual receipts for the year.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 Board of 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 of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2012, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio 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 net asset value per share, which is the price the investment could be sold for on December 31, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2012 amounted to \$3,167, which includes \$68 assigned from other Library funds

***Inventory and Prepaids***

The Library reports disbursements for inventory 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.



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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***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.

***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.

***Long-Term Obligations***

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents money from grants.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

***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 Library, however, only uses the following four:

***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.

**Shaker Heights Public Library**  
**Cuyahoga County**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Library Trustees assigned fund balance to cover a gap between estimated revenue and appropriations in the 2013 appropriated budget.

**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.

***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**Note 3 – Changes in Accounting Principles**

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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**Note 4 – Fund Balances**

Fund balance is classified as 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. At year end, \$6,712 of the fund balance was restricted for Library programs due to constraints imposed by grants, \$63,216 was committed for various Library programs due to constraints imposed by the Library and donors, \$831,753 was assigned due to encumbrances and 2013 appropriations in the general fund and the remaining \$791,318 was unassigned for a total fund balance of \$1,692,999.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2012 (budgetary basis), amounted to \$164,549.

**Note 6 – 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;

## Shaker Heights Public Library

### Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2012

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

### Deposits

**Custodial credit risk** is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Library funds shall be required to pledge security for repayment of all public moneys. The Library has no investment policy dealing with deposit custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Fiscal Officer or an agent designated by the Fiscal Officer.

At year-end, the bank balance of the Library's deposits was \$625,577. Of the uninsured bank balance of \$375,577, all was collateralized with securities held by the pledging institution's trust department, not in the Library's name.

### Investments

As of December 31, 2012, the Library only had an investment of \$1,099,474 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 55.4 days.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012*

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**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy that addresses credit risk.

**Interest Rate Risk** The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2012, was \$4.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Real Property	\$780,338,410
Public Utility Property	12,585,450
Total Assessed Values	<u>\$792,923,860</u>

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

**Note 8 - Risk Management**

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

**Shaker Heights Public Library**  
**Cuyahoga County**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5 percent (41.5 percent effective November 1, 2011, 40 percent through October 31, 2011 and 17.5 percent through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10 percent of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively (latest information available).

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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

**Note 9 – Interfund Balances**

During 2012, the general fund advanced money to the MYCOM grant special revenue fund due to the timing of the receipt of grant monies by the nonmajor fund. This is expected to be repaid within one year.

**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 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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2012*

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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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

The Library's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$267,656, \$261,547, and \$227,751, respectively. The full amount has been contributed for 2012, 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$9,805 made by the Library and \$7,003 made by plan members.

**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.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2012*

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$107,062, \$123,712, and \$129,823, respectively. The full amount has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Note 12 – Subsequent Event**

Effective April 15, 2013, Dolores Aiken became the Library’s Fiscal Officer.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards***

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Governmental Auditing Standards*, the financial statements of the governmental activities, its major fund and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Shaker Heights Public Library's basic financial statements and have issued our report thereon dated June 14, 2013, wherein we noted the Shaker Heights Public Library uses a special purpose framework other than generally accepted accounting principles and in Note 3, the Shaker Heights Public Library adopted Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

***Internal Control Over Financial Reporting***

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

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

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

Board of Trustees  
Shaker Heights Public Library

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 14, 2013



# Dave Yost • Auditor of State

SHAKER HEIGHTS PUBLIC LIBRARY

CUYAHOGA 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  
JULY 11, 2013