



Dave Yost · Auditor of State



**AVON LAKE PUBLIC LIBRARY  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Avon Lake Public Library  
Lorain County  
32649 Electric Boulevard  
Avon Lake, Ohio 44012

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake Public Library, Lorain County, Ohio (the Library), as of and for the years ended December 31, 2011, and 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express 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. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake Public Library, Lorain County, Ohio, as of December 31, 2011, and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Avon Lake 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.

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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

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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This discussion and analysis of the Avon Lake Public Library's, Lorain County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2011 and December 31, 2010, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2011 are as follows:

The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 96.3 percent of the total cash received for Library activities during the year.

As part of the Biennium Budget, for the period beginning August 2011, the Public Library Fund was reduced to 95% of the funding received during FY 2011 (July 2010 thru June 2011).

Final certified revenue was reduced by \$48,201 or 2.2 percent.

2011 revenue was down 2.3 percent from 2010.

In order to address the reduction in revenue the Library initiated/continued the following changes:

- Wage freeze in 2011 for all employees.
- The Library remained closed on Sundays between September and May.

In May, a new levy was approved by the citizens of Avon Lake. Approved was the renewal of the existing levy of 1.8 mil and the addition of 1.0 mill bringing the 2012-2016 millage rate to 2.8. This will provide the Library with approximately \$947,196 additional tax revenue annually.

Key highlights for 2010 are as follows:

The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 96.4 percent of the total cash received for Library activities during the year.

Final certified revenue was reduced by an insignificant amount \$11,922 or 0.6 percent.

2010 revenue was down 2.5 percent from 2009.

In order to address the reduction in revenue the Library initiated/continued the following changes:

- Wage freeze in 2010 for all employees.
- Non Bargaining Employees were required to take four furlough days.
- The Library remained closed on Sundays between September and May.
- The Library closed for three additional days during the year, for which employees normally scheduled to work received no pay.

One building project was completed during the year:

- Replacement of the boilers.

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2011 and 2010 within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Library at year end. The statement of activities compares cash disbursements with program receipts for each Library program. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Library function draws from the Library's general receipts.

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

The statement of net assets and the statement of activities are comprised of governmental activities only:

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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Governmental Activities – The Library's services, support services and capital outlay are reported here. Property and other local taxes, intergovernmental revenue and government grants-in-aid 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. 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 Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2011, 2010, and 2009 on a cash basis:

(Table 1)  
**Net Assets**

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$550,025</u>	<u>\$641,612</u>	<u>\$644,922</u>
Total Assets	<u>\$550,025</u>	<u>\$641,612</u>	<u>\$644,922</u>
 <b>Net Assets</b>			
Restricted for:			
Capital Projects	\$385,381	\$424,925	\$477,915
Unrestricted	<u>164,444</u>	<u>216,687</u>	<u>167,007</u>
Total Net Assets	<u>\$550,025</u>	<u>\$641,612</u>	<u>\$644,922</u>

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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Table 2 reflects the changes in net assets on a cash basis in 2011, 2010, and 2009.

(Table 2)  
**Change in Net Assets**

	Governmental Activities		
	2011	2010	2009
<b>Receipts:</b>			
Program Receipts:			
Charges for Services and Sales	\$48,374	\$54,555	\$65,103
Total Program Receipts	<u>48,374</u>	<u>54,555</u>	<u>65,103</u>
General Receipts:			
Property Taxes Levied for General Purposes	1,209,649	1,201,747	1,325,792
Unrestricted Gifts and Contributions	7,202	938	925
Grants and Entitlements not Restricted to Specific Programs	819,795	878,906	803,836
Interest	213	505	1,872
Miscellaneous	21,549	20,868	14,461
Total General Receipts	<u>2,058,408</u>	<u>2,102,964</u>	<u>2,146,886</u>
Total Receipts	<u>2,106,782</u>	<u>2,157,519</u>	<u>2,211,989</u>
 <b>Disbursements:</b>			
Library Services			
Public Services and Programs	1,144,997	1,094,466	1,161,894
Collection Development and Processing	118,285	116,793	127,525
Support Services			
Facilities Operation and Maintenance	253,825	151,187	168,654
Information Services	127,379	113,047	121,461
Business Administration	537,783	621,937	635,540
Capital Outlay	16,100	63,399	6,367
Total Disbursements	<u>2,198,369</u>	<u>2,160,829</u>	<u>2,221,441</u>
Change in Net Assets	(91,587)	(3,310)	(9,452)
Net Assets, January 1	<u>641,612</u>	<u>644,922</u>	<u>654,374</u>
Net Assets, December 31	<u>\$550,025</u>	<u>\$641,612</u>	<u>\$644,922</u>

The general receipts, primarily property taxes and intergovernmental receipts, in 2011 and 2010 are 96.3 percent and 96.4 percent respectively, of total receipts.

Disbursements for Public Services and Programs and Collection Development and Processing are reported as Library Services. Facilities Operation and Maintenance, Information Services and Business Administration are reported under Support Services.

#### **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 program disbursements for governmental

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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### **Governmental Activities (Continued)**

activities, are Public Services and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, and Capital Outlay.

The next column entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service. The Net (Disbursement) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Library Services	\$1,263,282	\$1,214,908	\$1,211,259	\$1,156,704
Support Service	918,987	918,987	886,171	886,171
Capital Outlay	16,100	16,100	63,399	63,399
Total Disbursements	<u>\$2,198,369</u>	<u>\$2,149,995</u>	<u>\$2,160,829</u>	<u>\$2,106,274</u>

The dependence upon property taxes and intergovernmental revenue is apparent as for 2011 and 2010, respectively, over 97.8 percent and 97.5 percent of governmental activities are supported through these general receipts.

### **The Library's Funds**

Total governmental funds had receipts (not including transfers) of \$2,106,782 and \$2,157,519 and disbursements (not including transfers) of \$2,198,369 and \$2,160,829 in 2011 and 2010, respectively. The 2011 General Fund balance decreased (\$75,662). The 2010 General Fund balance increased \$49,680. With the implementation of expense reductions and increased budget oversight at the line item level, the Library is confident of its financial condition and its ability to provide continued services to the public.

### **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's General Fund budget was subject to volatility because of cuts to the Public Library Fund implemented with the biennium budget. Final budgeted receipts were budgeted at \$2,158,395 and \$2,170,351 while actual receipts were \$2,106,607 and \$2,157,110 for 2011 and 2010, respectively.

Final budgeted disbursements and other financing uses were budgeted at \$2,196,544 and \$2,198,349 while actual disbursements and other financing uses were \$2,207,206 and \$2,207,096 for 2011 and 2010, respectively.

### **Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and intergovernmental revenue.

**Avon Lake Public Library**  
**Lorain County**  
*Management's Discussion and Analysis*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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**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 Lorie Scheer, Fiscal Officer, Avon Lake Public Library, 32649 Electric Blvd., Avon Lake, Ohio, 44012.

**Avon Lake Public Library**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2011*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$550,025</u>
<i>Total Assets</i>	<u>\$550,025</u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	\$385,381
Unrestricted	<u>164,644</u>
<i>Total Net Assets</i>	<u>\$550,025</u>

See accompanying notes to the basic financial statements

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

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	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public Services and Programs	\$1,144,997	\$48,374	(\$1,096,623)
Collection Development and Processing	118,285		(118,285)
Support Services:			
Facilities Operation and Maintenance	253,825		(253,825)
Information Services	127,379		(127,379)
Business Administration	537,783		(537,783)
Capital Outlay	<u>16,100</u>		<u>(16,100)</u>
<i>Total Governmental Activities</i>	<u>\$2,198,369</u>	<u>\$48,374</u>	<u>(\$2,149,995)</u>
 <b>General Receipts:</b>			
Property Taxes Levied for General Purposes			\$1,209,649
Unrestricted Gifts and Contributions			7,202
Grants and Entitlements not Restricted to Specific Programs			819,795
Interest			213
Miscellaneous			<u>21,549</u>
<i>Total General Receipts</i>			<u>2,058,408</u>
 Change in Net Assets			 (91,587)
 <i>Net Assets, Beginning of Year</i>			 <u>641,612</u>
 <i>Net Assets, End of Year</i>			 <u>\$550,025</u>

See accompanying notes to the basic financial statements

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

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	General	Building	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$141,025	\$409,000	\$550,025
<i>Total Assets</i>			
	<u>\$141,025</u>	<u>\$409,000</u>	<u>\$550,025</u>
<b>Fund Balances</b>			
Restricted		\$385,381	\$385,381
Committed	\$24,934	\$23,619	48,553
Unassigned (Deficit)	116,091		116,091
<i>Total Fund Balances</i>			
	<u>\$141,025</u>	<u>\$409,000</u>	<u>\$550,025</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities - Cash Basis  
December 31, 2011*

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<b>Total Governmental Fund Balances</b>	<u>\$550,025</u>
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<i>Net Assets of Governmental Activities</i>	<u>\$550,025</u>
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See accompanying notes to the basic financial statements

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

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	General	Building	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,209,649		\$1,209,649
Intergovernmental	819,795		819,795
Patron Fines and Fees	48,374		48,374
Contributions, Gifts and Donations	7,202		7,202
Earnings on Investments	38	175	213
Miscellaneous	21,549		21,549
<i>Total Receipts</i>	<u>2,106,607</u>	<u>175</u>	<u>2,106,782</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,144,997		1,144,997
Collection Development and Processing	118,285		118,285
Support Services:			
Facilities Operation and Maintenance	253,825		253,825
Information Services	127,379		127,379
Business Administration	537,783		537,783
Capital Outlay	16,100		16,100
<i>Total Disbursements</i>	<u>2,182,269</u>	<u>16,100</u>	<u>2,198,369</u>
<i>Net Change in Fund Balances</i>	(75,662)	(15,925)	(91,587)
<i>Fund Balances, Beginning of Year</i>	<u>216,687</u>	<u>424,925</u>	<u>641,612</u>
<i>Fund Balances, End of Year</i>	<u>\$141,025</u>	<u>\$409,000</u>	<u>\$550,025</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis  
For the Year Ended December 31, 2011*

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Net Change in Fund Balances - Total Governmental Funds	(\$91,587)
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Change in Net Assets of Governmental Activities	(\$91,587)
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See accompanying notes to the basic financial statements

**Avon Lake 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,212,820	\$1,237,999	\$1,209,649	(\$28,350)
Intergovernmental	879,950	835,396	819,795	(15,601)
Patron Fines and Fees	51,000	51,000	48,374	(2,626)
Contributions, Gifts and Donations	1,400	1,400	7,202	5,802
Earnings on Investments	100	100	38	(62)
Miscellaneous	32,500	32,500	21,549	(10,951)
<i>Total Receipts</i>	<u>2,177,770</u>	<u>2,158,395</u>	<u>2,106,607</u>	<u>(51,788)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,128,920	1,128,920	1,163,478	(34,558)
Collection Development and Processing	119,273	119,273	118,285	988
Support Services:				
Facilities Operation and Maintenance	161,688	161,688	158,438	3,250
Information Services	125,274	125,274	133,705	(8,431)
Business Administration	661,389	661,389	633,300	28,089
<i>Total Disbursements</i>	<u>2,196,544</u>	<u>2,196,544</u>	<u>2,207,206</u>	<u>(10,662)</u>
<i>Net Change in Fund Balance</i>	(18,774)	(38,149)	(100,599)	(62,450)
<i>Unencumbered Fund Balance Beginning of Year</i>	117,021	117,021	117,021	0
Prior Year Encumbrances Appropriated	99,669	99,669	99,669	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$197,916</u>	<u>\$178,541</u>	<u>\$116,091</u>	<u>(\$62,450)</u>

See accompanying notes to the basic financial statements

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**Avon Lake Public Library**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2010*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$641,612</u>
<i>Total Assets</i>	<u>\$641,612</u>
 <b>Net Assets</b>	
Restrictd for:	
Capital Projects	\$424,925
Unrestricted	<u>216,687</u>
<i>Total Net Assets</i>	<u>\$641,612</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2010*

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	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public Services and Programs	\$1,094,466	\$54,555	(\$1,039,911)
Collection Development and Processing	116,793		(116,793)
Support Services:			
Facilities Operation and Maintenance	151,187		(151,187)
Information Services	113,047		(113,047)
Business Administration	621,937		(621,937)
Capital Outlay	63,399		(63,399)
<i>Total Governmental Activities</i>	<u>\$2,160,829</u>	<u>\$54,555</u>	<u>(\$2,106,274)</u>
 <b>General Receipts:</b>			
Property Taxes Levied for General Purposes		\$1,201,747	
Unrestricted Gifts and Contributions		938	
Grants and Entitlements not Restricted to Specific Programs		878,906	
Interest		505	
Miscellaneous		20,868	
<i>Total General Receipts</i>		2,102,964	
Change in Net Assets		(3,310)	
<i>Net Assets, Beginning of Year</i>		644,922	
<i>Net Assets, End of Year</i>		\$641,612	

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2010*

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	General	Building	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$216,687	\$424,925	\$641,612
<i>Total Assets</i>			
	<u>\$216,687</u>	<u>\$424,925</u>	<u>\$641,612</u>
<b>Fund Balances</b>			
Restricted		\$424,925	\$424,925
Committed	\$99,666		99,666
Unassigned (Deficit)	117,021		117,021
<i>Total Fund Balances</i>			
	<u>\$216,687</u>	<u>\$424,925</u>	<u>\$641,612</u>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities - Cash Basis  
December 31, 2010*

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<b>Total Governmental Fund Balances</b>	<u>\$641,612</u>
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<i>Net Assets of Governmental Activities</i>	<u>\$641,612</u>
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See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

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	General	Building	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,201,747		\$1,201,747
Intergovernmental	878,906		878,906
Patron Fines and Fees	54,555		54,555
Contributions, Gifts and Donations	938		938
Earnings on Investments	96	409	505
Miscellaneous	20,868		20,868
<i>Total Receipts</i>	<i>2,157,110</i>	<i>409</i>	<i>2,157,519</i>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Services and Programs	1,094,466		1,094,466
Collection Development and Processing	116,793		116,793
Support Services:			
Facilities Operation and Maintenance	151,187		151,187
Information Services	113,047		113,047
Business Administration	621,937		621,937
Capital Outlay		63,399	63,399
<i>Total Disbursements</i>	<i>2,097,430</i>	<i>63,399</i>	<i>2,160,829</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>59,680</i>	<i>(62,990)</i>	<i>(3,310)</i>
<b>Other Financing Sources</b>			
Transfers in		10,000	10,000
Transfers out	(10,000)		(10,000)
<i>Total Other Sources (Uses)</i>	<i>(10,000)</i>	<i>10,000</i>	<i>0</i>
<i>Net Change in Fund Balances</i>	<i>49,680</i>	<i>(52,990)</i>	<i>(3,310)</i>
<i>Fund Balances, Beginning of Year</i>	<i>167,007</i>	<i>477,915</i>	<i>644,922</i>
<i>Fund Balances, End of Year</i>	<i>\$216,687</i>	<i>\$424,925</i>	<i>\$641,612</i>

See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis  
For the Year Ended December 31, 2010*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$3,310)
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<i>Change in Net Assets of Governmental Activities</i>	<u>(\$3,310)</u>
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See accompanying notes to the basic financial statements

**Avon Lake Public Library**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis*  
**General Fund**  
*For the Year Ended December 31, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,359,581	\$1,359,581	\$1,201,747	(\$157,834)
Intergovernmental	725,770	725,770	878,906	153,136
Patron Fines and Fees	70,000	70,000	54,555	(15,445)
Contributions, Gifts and Donations	1,000	1,000	938	(62)
Earnings on Investments	1,000	1,000	96	(904)
Miscellaneous	13,000	13,000	20,868	7,868
<i>Total Receipts</i>	<u>2,170,351</u>	<u>2,170,351</u>	<u>2,157,110</u>	<u>(13,241)</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,159,140	1,159,140	1,160,085	(945)
Collection Development and Processing	116,480	116,480	117,918	(1,438)
Support Services:				
Facilities Operation and Maintenance	141,138	141,138	157,903	(16,765)
Information Services	128,902	128,902	128,541	361
Business Administration	642,689	642,689	632,649	10,040
<i>Total Disbursements</i>	<u>2,188,349</u>	<u>2,188,349</u>	<u>2,197,096</u>	<u>(8,747)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,998)</u>	<u>(17,998)</u>	<u>(39,986)</u>	<u>(21,988)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(10,000)	(10,000)	(10,000)	0
<i>Net Change in Fund Balance</i>	<u>(27,998)</u>	<u>(27,998)</u>	<u>(49,986)</u>	<u>(21,988)</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	117,050	117,050	117,050	0
Prior Year Encumbrances Appropriated	49,957	49,957	49,957	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$139,009</u>	<u>\$139,009</u>	<u>\$117,021</u>	<u>(\$21,988)</u>

See accompanying notes to the basic financial statements

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**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

The Avon Lake Public Library was organized as a school district public library in 1931 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Avon Lake 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 Avon Lake City School District.

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

The Friends of the Avon Lake 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.

GASB Statement 39 states "organizations that are legally separate, tax-exempt entities and that meet *all* of the following criteria should be discretely presented as component units. These criteria are:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government."

The Friends of the Avon Lake Public Library, Inc. does not meet the third criteria and 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.

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

As discussed further in the Basis of Accounting section of this note, the financial statements of the Avon Lake 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflicts with or contradict GASB pronouncements, in which case GASB prevails. 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 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. 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 governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function 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.

### **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:

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

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

**Building Fund** The building fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

**Basis of Accounting**

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**Budgetary Process**

All funds (except agency 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."

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

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.

During 2011 and 2010, the Library maintained a conservative, liquid position with respect to investments and all funds considered as investments were invested with the State Asset Treasury Reserve (STAR Ohio).

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.

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 and December 31, 2010, respectively.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General and Building Funds during 2011, amounted to \$38 and \$175, respectively. Interest receipts credited to the General and Building Funds during 2010 amounted to \$96 and \$409, respectively.

**Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

**Inventory and Prepaid Items**

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

**Capital Assets**

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

**Fund Balance**

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

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

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

**Fund Balance (Continued)**

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

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Accumulated Leave**

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

**Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**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.

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

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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

**Net Assets (Continued)**

In 2011, the government-wide statement of net assets reports \$550,025 of total net assets, of which \$385,381 is restricted for capital projects. In 2010, the government-wide statement of net assets reports \$641,611 of total net assets, of which \$424,925 is restricted for capital projects.

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

For 2011 and 2010, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds as previously reported.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) December 31, 2011 and 2010, respectively amounted to \$24,934 and \$99,666 for the General Fund.

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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**Note 5 – Deposits and Investments (Continued)**

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. Payments for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

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**

Carrying Value

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

STAR Ohio (General Fund)	\$ 2,923
STAR Ohio (Building Fund)	<u>408.469</u>
Total Investments	<u>\$ 411,392</u>

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

STAR Ohio (General Fund)	\$ 2,916
STAR Ohio (Building Fund)	<u>408,299</u>
Total Investments	<u>\$ 411,215</u>

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2011 and December 31, 2010

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**Note 5 – Deposits and Investments (Continued)**

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

**Credit Risk** STAROhio carries a rating of AAA 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax receipts received in 2011 and 2010 for real and public utility property taxes represents collections of the 2010 and 2009 taxes, respectively.

2011 real property taxes are levied after October 1, 2011 on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012. 2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010 are levied after October 1, 2011, and are collected in 2011 with real property taxes. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value; 2010 public utility property taxes which became a lien on December 31, 2009 are levied after October 1, 2010, and are collected in 2010 with real property taxes.

The full tax rate for all Library operations for the years ended December 31, 2011 and December 31, 2010 was \$1.80 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2011 and 2010 property tax receipts were based are as follows:

<u>2011</u>	
Real Property	\$768,801,730
Public Utility Property	57,136,730
Total Assessed Values	<u>\$825,938,460</u>

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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**Note 6 – Property Taxes (Continued)**

<u>2010</u>	
Real Property	\$760,700,870
Public Utility Property	56,540,920
Total Assessed Values	<u>\$817,241,790</u>

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 7 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011 and 2010, the Library contracted with several companies for various types of insurance coverage as follows:

**2011 Coverage:**

Company	Type of Coverage	Amount of Coverage
Motorists Mutual Insurance Company	Commercial Property	\$10,058,977
	General Liability	\$4,000,000
	Inland Marine	\$359,000
	Blanket	\$10,058,977
	Vehicle	\$1,000,000
	Umbrella	\$2,000,000
	Errors and Omissions	\$1,000,000/\$3,000,000
	Library Officials	\$1,000,000/\$3,000,000
	Employment Practices	\$1,000,000/\$3,000,000
	Surety Bond	\$10,000
Utica National Insurance Group/Chubb		
Group of Insurance Companies		
State Auto Insurance Companies		

**2010 Coverage:**

Company	Type of Coverage	Amount of Coverage
Motorists Mutual Insurance Company	Commercial Property	\$9,672,094
	General Liability	\$4,000,000
	Inland Marine	\$359,000
	Blanket	\$9,672,094
	Vehicle	\$1,000,000
	Umbrella	\$2,000,000
	Errors and Omissions	\$1,000,000/\$3,000,000
	Library Officials	\$1,000,000/\$3,000,000
	Employment Practices	\$1,000,000/\$3,000,000
	Surety Bond	\$10,000
Utica National Insurance Group/Chubb		
Group of Insurance Companies		
State Auto Insurance Companies		

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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**Note 7 - Risk Management (Continued)**

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

**Note 8 - Defined Benefit Pension Plan**

**Plan Description** - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 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 rate not to exceed 14 percent of the 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 years ended December 31, 2011 and 2010, members in state and local classifications contributed 10 percent of covered payroll. Members may participate in all three plans. For the years ended December 31, 2011 and 2010 member and employer contribution rates were consistent across all three plans.

The Library's contribution rate for 2011 and 2010 was 14 percent and 14 percent, respectively, of covered payroll. For the period January 1, through December 31, 2011, the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 4 percent of covered payroll; for members in the Combined Plan the contribution was equal to 6.05 percent. For the period January 1, through February 28, 2010 the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 5.5 percent, and 5 percent for the period March 1, through December 31, 2010. For the period January 1, through February 28, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Combined Plan was equal to 4.73 percent and 4.23 percent for the period March 1, through December 31, 2010. For the periods January 1, through December 31, 2011 and January 1, through December 31, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Self Directed Plans was equal to 4.5 percent. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$160,980, \$161,257 and \$173,328 respectively. The full amount has been contributed for 2011, 2010 and 2009. Contributions to the Member-

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2011 and December 31, 2010*

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**Note 8 - Defined Benefit Pension Plan (Continued)**

Directed Plan for 2011 and 2010 were \$2,603 and \$2,625 made by the Library and \$1,859 and \$1,875 made by the plan members, respectively.

**Note 9 - Postemployment Benefits**

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011 and 2010 local government employers contributed 14 percent of covered payroll, respectively. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. For the period January 1, through December 31, 2011, the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 4 percent of covered payroll; for members in the Combined Plan the contribution was equal to 6.05 percent. For the period January 1, through February 28, 2010 the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 5.5 percent, and 5 percent for the period March 1, through December 31, 2010. For the period January 1, through February 28, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Combined Plan was equal to 4.73 percent and 4.23 percent for the period March 1, through December 31, 2010. For the periods January 1, through December 31, 2011 and January 1, through December 31, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Self Directed Plan was equal to 4.5 percent.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage. Active members do not make contributions to the post employment health care plan.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$47,080, \$59,334, and \$67,256 respectively; 100 percent has been contributed for 2011, 2010 and 2009.

**Avon Lake Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2011 and December 31, 2010

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**Note 10 – 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 are presented below:

Fund Balances	General	Building	Total
<b>Restricted for Capital Improvements</b>		\$385,381	\$385,381
<b>Committed to Encumbrances</b>	\$24,934	23,619	48,553
<b>Unassigned (Deficit)</b>	116,091		116,091
<b>Total Fund Balances</b>	<u>\$141,025</u>	<u>\$409,000</u>	<u>\$550,025</u>

Fund Balances	General	Building	Total
<b>Restricted for Capital Improvements</b>		\$424,925	\$424,925
<b>Committed to Encumbrances</b>	\$99,666		99,666
<b>Unassigned (Deficit)</b>	117,021		117,021
<b>Total Fund Balances</b>	<u>\$216,687</u>	<u>\$424,925</u>	<u>\$641,612</u>

**Note 11 - Interfund Transfers**

In 2010, the general fund transferred \$10,000 to the building capital projects fund for the purchase and maintenance of various items throughout the Library.



# 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

Avon Lake Public Library  
Lorain County  
32649 Electric Boulevard  
Avon Lake, Ohio 44012

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake Public Library, Lorain County, (the Library) as of and for the years ended December 31, 2011, and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 25, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal 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 opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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

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

Avon Lake Public Library  
Lorain County  
Independent Accountants' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

**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 did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated May 25, 2012.

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



**Dave Yost**  
Auditor of State

May 25, 2012



# Dave Yost • Auditor of State

AVON LAKE PUBLIC LIBRARY

LORAIN 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
JUNE 19, 2012