

**CUYAHOGA FALLS LIBRARY
SUMMIT COUNTY
Regular Audit
For the Years Ended December 31, 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Directors
Hudson Library and Historical Society
96 Library Street
Hudson, Ohio 44236

We have reviewed the *Independent Accountants' Report* of the Hudson Library and Historical Society, Summit County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 16, 2012

This page intentionally left blank.

**CUYAHOGA FALLS LIBRARY
SUMMIT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants’ Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements 2011:	
Statement of Net Assets – Cash Basis	10
Statement of Activities – Cash Basis	11
Fund Financial Statements 2011:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds.....	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	13
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	14
Government-Wide Financial Statements 2010:	
Statement of Net Assets – Cash Basis	15
Statement of Activities – Cash Basis	16
Fund Financial Statements 2010:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds.....	17
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund	19
Notes to the Basic Financial Statements.....	20
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	32

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT ACCOUNTANTS' REPORT

July 25, 2012

Board of Trustees
Cuyahoga Falls Library
2015 Third Street
Cuyahoga Falls, Ohio 44221

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 **Cuyahoga Falls Library**, Summit County, Ohio (the "Library") as of and for the year 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 Cuyahoga Falls Library, Summit County, Ohio, as of December 31, 2011 and 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 2, during 2010 the 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 July 25, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

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

Financial Highlights

Key highlights for 2011 and 2010 are as follows:

In 2011, net assets of governmental activities decreased \$340,632 or 22.6 percent from the prior year. In 2010, net assets had a decrease of \$1,853,808 or 55.2% due to a significant increase in capital disbursements.

In 2011 and 2010, the Library's general receipts are primarily Library and Local Government Support Fund (LLGSF) receipts, and property and other local taxes receipts. These receipts represent 98.5 percent of the total cash received for governmental activities during the years 2011 and 2010. LLGSF receipts increased \$77,642 or 6.2 percent from 2010 to 2011.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Reporting the Cuyahoga Falls Library as a Whole

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

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the state's funding levels, the increase/decrease of memberships, the extent of participation in the Library's activities from members and non-members. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental activities - All of the Library's basic services are reported here, including library services, support services, and capital outlay. The Library and Local Government Support Fund finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Cuyahoga Falls Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all in the governmental category.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. In 2011 and 2010 the Library has two major governmental funds – the general fund and the building fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

The Library as a Whole

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

(Table 1)
Net Assets

	Governmental Activities		
	2011	2010	2009
Assets			
Cash and cash equivalents	<u>\$ 1,163,677</u>	<u>\$ 1,504,309</u>	<u>\$ 3,358,117</u>
Net assets			
Restricted for:			
Capital projects	-	-	1,911,431
Permanent funds			
Nonexpendable	25,000	25,000	25,000
Expendable	27,056	27,222	29,590
Other purposes	35,295	31,321	202,380
Unrestricted	<u>1,076,326</u>	<u>1,420,766</u>	<u>1,189,716</u>
Total net assets	<u><u>\$ 1,163,677</u></u>	<u><u>\$ 1,504,309</u></u>	<u><u>\$ 3,358,117</u></u>

As mentioned previously, net assets of governmental activities decreased \$340,632 or 22.6 percent during 2011.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Table 2 reflects the changes in net assets in 2011 and 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
Receipts:			
Program receipts:			
Charges for services and sales	\$ 11,425	\$ 13,033	\$ 13,464
Operating grants and contributions	13,617	9,540	-
Total program receipts	25,042	22,573	13,464
General receipts:			
Property and other local taxes	978,692	1,004,912	1,008,620
Library and local government	1,322,436	1,244,794	1,316,667
Unrestricted gifts and contributions	-	-	11,773
Interest	1,049	2,592	7,611
Miscellaneous	9,786	9,290	3,555
Total general receipts	2,311,963	2,261,588	2,348,226
Total receipts	2,337,005	2,284,161	2,361,690
Disbursements:			
Salaries and benefits	1,417,960	1,468,336	1,422,251
Purchased and contract services	386,324	529,256	430,876
Library materials and information	414,501	390,233	425,771
Supplies	46,223	55,480	49,626
Other	9,468	15,088	19,178
Capital outlay	403,161	1,679,576	54,546
Total disbursements	2,677,637	4,137,969	2,402,248
Increase (decrease) in net assets	(340,632)	(1,853,808)	(40,558)
Net assets, January 1	1,504,309	3,358,117	3,398,675
Net assets, December 31	\$ 1,163,677	\$ 1,504,309	\$ 3,358,117

Program receipts represent only 1 percent in 2011 and 2010 of total receipts and are primarily comprised of fines and late fees and fees charged for copier use.

General receipts represent 99 percent of the Library's total receipts, and of this amount, over 57.2 percent are Library and Local Government Funds and 42.3 percent are Property and Other Local Taxes for 2011. General receipts represent 99 percent of the Library's total receipts, and of this amount, over 55 percent are Library and Local Government Funds and 44.4 percent are Property and Other Local Taxes for 2010. Miscellaneous receipts and interest make up 0.5 percent for 2011 and 2010 of the Library's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 11 and 16, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2011 are for salaries and benefits and library materials and information, which account for 53 and 15.5 percent of all governmental disbursements, respectively. The major program disbursements for governmental activities in 2010 are for salaries and benefits and capital outlay, which accounted for 35.5 percent and 40.6 percent of all governmental disbursements, respectively. The next column of the Statement, entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011
Salaries and benefits	\$ 1,417,960	\$ 1,417,708
Purchased and contract services	386,324	386,324
Library materials and information	414,501	389,711
Supplies	46,223	46,223
Other	9,468	9,468
Capital outlay	403,161	403,161
Total expenses	\$ 2,677,637	\$ 2,652,595

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010
Salaries and benefits	\$ 1,468,336	\$ 1,467,856
Purchased and contract services	529,256	529,256
Library materials and information	390,233	368,140
Supplies	55,480	55,480
Other	15,088	15,088
Capital outlay	1,679,576	1,679,576
Total expenses	\$ 4,137,969	\$ 4,115,396

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Governmental Activities		
	Total Cost of Services 2009	Net Cost of Services 2009
Salaries and benefits	\$ 1,422,251	\$ 1,408,787
Purchased and contract services	430,876	430,876
Library materials and information	425,771	425,771
Supplies	49,626	49,626
Other	19,178	19,178
Capital outlay	54,546	54,546
Total expenses	<u>\$ 2,402,248</u>	<u>\$ 2,388,784</u>

The dependence upon LLGSF and other general revenues for governmental activities is demonstrated in the above tables. Over 99 percent of disbursements are supported through LLGSF and other general revenues in 2011 and 2010.

The Library's Funds

In 2011, the Library's funds had receipts of \$2.3 million and disbursements of \$2.6 million. The greatest change within governmental funds occurred within the building fund. The fund balance of the building fund decreased \$426,971 as a result of increased capital disbursements. In 2010, total governmental funds had receipts of \$2.2 million and disbursements of \$4.1 million. The fund balance of the general fund decreased \$196,927 and the fund balance in the building fund decreased \$1,483,454.

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.

In 2011, final disbursements were budgeted at \$2.5 million and actual disbursements were \$2.5 million. In 2010, final disbursements were budgeted at \$2.6 million and actual disbursements were \$2.6 million. Receipts exceeded expectations in both years however the Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$170,387 for 2011 and a decrease of \$421,121 for 2010.

Capital Assets and Debt Administration

The Library does not currently keep track of its capital assets and infrastructure. The Library did not have any debt as of December 2011 and 2010.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010
Unaudited

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Library heavily depends on receipts from the Library and Local Government Support Fund (LLGSF). With the LLGSF slightly increasing in 2011 and with the uncertainty of future funding, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Theresa Karm, Clerk-Treasurer, Cuyahoga Falls Library, 2015 Third St., Cuyahoga Falls, Ohio 44221.

Cuyahoga Falls Library
Summit County
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities
Assets	
Equity in pooled cash and cash equivalents	\$ 1,163,677
Total assets	1,163,677
Net Assets	
Restricted for:	
Permanent fund purpose	
Expendable	27,056
Nonexpendable	25,000
Other purposes	35,295
Unrestricted	1,076,326
Total net assets	\$ 1,163,677

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental Activities				
Salaries and benefits	\$ 1,417,960	\$ 168	\$ 84	\$ (1,417,708)
Purchased and contract services	386,324	-	-	(386,324)
Library materials and information	414,501	11,257	13,533	(389,711)
Supplies	46,223	-	-	(46,223)
Other	9,468	-	-	(9,468)
Capital outlay	403,161	-	-	(403,161)
Total governmental activities	<u>2,677,637</u>	<u>11,425</u>	<u>13,617</u>	<u>(2,652,595)</u>
General Receipts				
Property taxes levied for:				
				978,692
				1,322,436
				1,049
				<u>9,786</u>
				<u>2,311,963</u>
				(340,632)
				<u>1,504,309</u>
				<u>\$ 1,163,677</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2011

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 1,075,320	\$ 1,006	\$ 87,351	\$ 1,163,677
Fund Balances				
Nonspendable	-	-	25,000	25,000
Restricted	-	-	62,351	62,351
Committed	-	1,006	-	1,006
Assigned	252,918	-	-	252,918
Unassigned	822,402	-	-	822,402
Total fund balances	<u>\$ 1,075,320</u>	<u>\$ 1,006</u>	<u>\$ 87,351</u>	<u>\$ 1,163,677</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and other local taxes	\$ 978,692	\$ -	\$ -	\$ 978,692
Library and local government	1,322,436	-	-	1,322,436
Patron fines and fees	11,257	-	-	11,257
Gifts and contributions	9,559	-	3,924	13,483
Interest	1,008	41	134	1,183
Miscellaneous	8,654	1,300	-	9,954
Total receipts	<u>2,331,606</u>	<u>1,341</u>	<u>4,058</u>	<u>2,337,005</u>
Disbursements				
Current:				
Salaries and benefits	1,417,710	-	250	1,417,960
Purchased and contract services	315,313	71,011	-	386,324
Library materials and information	414,501	-	-	414,501
Supplies	46,223	-	-	46,223
Other	9,468	-	-	9,468
Capital outlay	45,860	357,301	-	403,161
Total disbursements	<u>2,249,075</u>	<u>428,312</u>	<u>250</u>	<u>2,677,637</u>
Net change in fund balance	82,531	(426,971)	3,808	(340,632)
Fund balances beginning of year	992,789	427,977	83,543	1,504,309
Fund balances end of year	<u>\$ 1,075,320</u>	<u>\$ 1,006</u>	<u>\$ 87,351</u>	<u>\$ 1,163,677</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and other local taxes	\$ 1,000,000	\$ 957,670	\$ 978,692	\$ 21,022
Library and local government	1,058,000	1,099,800	1,322,436	222,636
Patron fines and fees	12,000	9,480	11,257	1,777
Gifts and contributions	1,200	6,000	9,559	3,559
Interest	1,000	800	1,008	208
Miscellaneous	1,000	7,250	8,654	1,404
Total receipts	<u>2,073,200</u>	<u>2,081,000</u>	<u>2,331,606</u>	<u>250,606</u>
Disbursements				
Current:				
Salaries and benefits	1,441,500	1,536,258	1,536,258	-
Purchased and contract services	346,500	413,734	413,734	-
Library materials and information	469,000	450,114	450,114	-
Supplies	55,200	46,389	46,389	-
Other	23,000	9,573	9,573	-
Capital outlay	91,000	45,925	45,925	-
Total disbursements	<u>2,426,200</u>	<u>2,501,993</u>	<u>2,501,993</u>	<u>-</u>
Net change in fund balance	(353,000)	(420,993)	(170,387)	250,606
Fund balance at beginning of year	768,595	768,595	768,595	-
Prior year encumbrances appropriated	224,194	224,194	224,194	-
Fund balance at end of year	<u>\$ 639,789</u>	<u>\$ 571,796</u>	<u>\$ 822,402</u>	<u>\$ 250,606</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Net Assets - Cash Basis
December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 1,504,309
Total assets	<u>1,504,309</u>
Net Assets	
Restricted for:	
Permanent fund purpose	
Expendable	27,222
Nonexpendable	25,000
Other purposes	31,321
Unrestricted	<u>1,420,766</u>
Total net assets	<u>\$ 1,504,309</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities
Governmental Activities				
Salaries and benefits	\$ 1,468,336	\$ 349	\$ 131	\$ (1,467,856)
Purchased and contract services	529,256	-	-	(529,256)
Library materials and information	390,233	12,684	9,409	(368,140)
Supplies	55,480	-	-	(55,480)
Other	15,088	-	-	(15,088)
Capital outlay	1,679,576	-	-	(1,679,576)
Total governmental activities	4,137,969	13,033	9,540	(4,115,396)
General Receipts				
Property taxes levied for:				
				1,004,912
				1,244,794
				2,592
				9,290
				2,261,588
				(1,853,808)
				3,358,117
				\$ 1,504,309

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and cash equivalents	\$ 992,789	\$ 427,977	\$ 83,543	\$ 1,504,309
Fund Balances				
Nonspendable	-	-	25,000	25,000
Restricted	-	-	58,543	58,543
Committed	-	427,977	-	427,977
Assigned	224,194	-	-	224,194
Unassigned	768,595	-	-	768,595
Total fund balances	<u>\$ 992,789</u>	<u>\$ 427,977</u>	<u>\$ 83,543</u>	<u>\$ 1,504,309</u>

See accompanying notes to the basic financial statements.

**Cuyahoga Falls Library
Summit County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2010

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property and other local taxes	\$ 1,004,912	\$ -	\$ -	\$ 1,004,912
Library and local government	1,244,794	-	-	1,244,794
Patron fines and fees	12,684	-	-	12,684
Gifts and contributions	4,245	-	5,163	9,408
Interest	968	1,497	259	2,724
Miscellaneous	9,639	-	-	9,639
Total receipts	<u>2,277,242</u>	<u>1,497</u>	<u>5,422</u>	<u>2,284,161</u>
Disbursements				
Current:				
Salaries and benefits	1,465,836	-	2,500	1,468,336
Purchased and contract services	404,251	125,005	-	529,256
Library materials and information	390,000	-	233	390,233
Supplies	55,480	-	-	55,480
Other	15,088	-	-	15,088
Capital outlay	143,514	1,536,062	-	1,679,576
Total disbursements	<u>2,474,169</u>	<u>1,661,067</u>	<u>2,733</u>	<u>4,137,969</u>
Excess of receipts over (under) disbursements	<u>(196,927)</u>	<u>(1,659,570)</u>	<u>2,689</u>	<u>(1,853,808)</u>
Other financing sources (uses)				
Transfers in	-	176,116	-	176,116
Transfers out	-	-	(176,116)	(176,116)
Total other financing sources (uses)	<u>-</u>	<u>176,116</u>	<u>(176,116)</u>	<u>-</u>
Net change in fund balance	(196,927)	(1,483,454)	(173,427)	(1,853,808)
Fund balances beginning of year	1,189,716	1,911,431	256,970	3,358,117
Fund balances end of year	<u>\$ 992,789</u>	<u>\$ 427,977</u>	<u>\$ 83,543</u>	<u>\$ 1,504,309</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and other local taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,004,912	\$ 4,912
Library and local government	1,224,500	1,224,500	1,244,794	20,294
Patron fines and fees	10,000	10,000	12,684	2,684
Gifts and contributions	600	600	4,245	3,645
Interest	1,000	1,000	968	(32)
Miscellaneous	1,000	1,000	9,639	8,639
Total receipts	<u>2,237,100</u>	<u>2,237,100</u>	<u>2,277,242</u>	<u>40,142</u>
Disbursements				
Current:				
Salaries and benefits	1,421,000	1,554,604	1,554,604	-
Purchased and contract services	393,500	464,975	464,975	-
Library materials and information	441,000	432,844	432,844	-
Supplies	52,600	56,026	56,026	-
Other	31,500	15,193	15,193	-
Capital outlay	150,000	174,721	174,721	-
Total disbursements	<u>2,489,600</u>	<u>2,698,363</u>	<u>2,698,363</u>	<u>-</u>
Net change in fund balance	(252,500)	(461,263)	(421,121)	40,142
Fund balance at beginning of year	979,831	979,831	979,831	-
Prior year encumbrances appropriated	209,885	209,885	209,885	-
Fund balance at end of year	<u>\$ 937,216</u>	<u>\$ 728,453</u>	<u>\$ 768,595</u>	<u>\$ 40,142</u>

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Description of the Library and Reporting Entity

The Cuyahoga Falls Library was organized as a body corporate and politic in 1912 under the laws of the State of Ohio. The Library is directed by an eleven-member Board of Trustees of which five members are lifetime Trustees appointed by the Library Association, four members are appointed by the Mayor of Cuyahoga Falls, and two members are appointed by the Cuyahoga Falls City School District. The Library provides the community with various educational and literary resources. 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 Clerk-Treasurer.

The Library is fiscally independent of the Cuyahoga Falls City 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 School District 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, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Cuyahoga Falls 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.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library participates in the Northeast Ohio Regional Library System (NEO-RLS) a jointly governed organization. Note 11 to the financial statements for additional information for this entity.

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

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies

As discussed further in this note, the financial statements of the Cuyahoga Falls Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include all financial activities of the Library. Governmental activities generally are financed through the Library and Local Government Support Fund (LLGSF).

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

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Governmental Funds

Governmental funds are those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Library's major governmental funds:

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

Building fund – This fund accounts for monies set aside by legislation by the Board of Library Trustees many years ago specifically for maintenance of and improvements to the Library's facilities.

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

C. Basis of Accounting

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

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

D. Budgetary Process

The Library Board of Trustees annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Ohio Revised Code budgetary requirements do not apply to Cuyahoga Falls Library being an association library.

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 Clerk - Treasurer. 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.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

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 resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

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

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011 and 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2011 amounted to \$1,008 and during 2010 amounted to \$968.

F. 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.

G. 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.

H. 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.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

I. 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.

J. 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.

K. 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.

L. 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. The Library had no such transactions in 2011 or 2010.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets totaling \$25,000 in the permanent fund are restricted and are non-expendable.

N. 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 fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balance category includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation. 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.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Library Council. Those committed amounts cannot be used for any other purpose unless the Library Council 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 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 policies of the Library Council.

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

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

Note 4 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2011 are presented below:

**Cuyahoga Falls Library
Summit County, Ohio**

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

2011 Fund Balances	<u>General</u>	<u>Building</u>	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>				
Scholarships	\$ -	\$ -	\$ 25,000	\$ 25,000
<u>Restricted for</u>				
Scholarships	-	-	27,056	27,056
Endowments and trusts	-	-	35,295	35,295
Total restricted	-	-	62,351	62,351
<u>Committed</u>				
Permanent improvements	-	1,006	-	1,006
<u>Assigned</u>				
Encumbrances	252,918	-	-	252,918
Unassigned	822,402	-	-	822,402
Total fund balances	<u>\$ 1,075,320</u>	<u>\$ 1,006</u>	<u>\$ 87,351</u>	<u>\$ 1,163,677</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2010 are presented below:

2010 Fund Balances	<u>General</u>	<u>Building</u>	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable</u>				
Scholarships	\$ -	\$ -	\$ 25,000	\$ 25,000
<u>Restricted for</u>				
Scholarships	-	-	27,222	27,222
Endowments and trusts	-	-	31,321	31,321
Total restricted	-	-	58,543	58,543
<u>Committed</u>				
Permanent improvements	-	427,977	-	427,977
<u>Assigned</u>				
Encumbrances	224,194	-	-	224,194
Unassigned	768,595	-	-	768,595
Total fund balances	<u>\$ 992,789</u>	<u>\$ 427,977</u>	<u>\$ 83,543</u>	<u>\$ 1,504,309</u>

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

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

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
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.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end 2011 and 2010, the Library had \$240 in undeposited cash on hand respectively, which is included on the balance sheet of the Library as part of "Equity in pooled cash and cash equivalents."

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011, the carrying amount of the Library's deposits was \$851,340 and the bank balance was \$915,268. Of the bank balance \$665,268 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At December 31, 2010, the carrying amount of the Library's deposits was \$1,192,147 and the bank balance was \$1,314,921. Of the bank balance \$1,064,921 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2011, the Library had \$312,097 invested in STAROhio and as of December 31, 2010, the Library had \$311,922 invested in STAROhio.

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.

STAR Ohio carries a rating of AAA 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.

Note 6 – Grants – In - Aid

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 8 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 to 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) 222-6705 or (800) 222-7377.

The members of all three plans were required to contribute 10 percent of their annual covered salaries in 2011 and 2010. The Library's contribution rate for pension benefits for 2011 and 2010 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$90,291, \$108,055, and \$155,493 respectively; the full amount has been contributed for all three years.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 9 - Postemployment Benefits

Plan Description - The Ohio Public Employees Retirement System (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; and the Combined Plan is a cost-sharing, multiple employer defined pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to 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.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. The 2011 local government employer contribution rate was 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan. OPERS Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h).

Each year, the OPERS Board of Trustees 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 percent for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. The OPERS Board of Trustees 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.

The Library's actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2011, 2010 and 2009 were \$50,162, \$60,030 and \$61,093, respectively, 100 percent has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employees increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 10 – Jointly Governed Organizations

The Northeast Ohio Regional Library System (NEO-RLS) is an area service organization created and governed according to the provisions of Section 3375.90 of the Ohio Revised Code. NEO-RLS is comprised of public, academic, special and school libraries in twenty-three counties. The purpose of NEO-RLS is to provide an effective and efficient sharing of information, resources, and expertise. NEO-RLS's Board of Trustees consists of fifteen full members with voting privileges elected by, from, and among the Advisory Council. The Advisory Council is comprised of a representative from each member library system. The Executive Director serves as an ex-officio, non-voting member. The Cuyahoga Falls Library's control over budgeting and financing of NEO-RLS is limited to its voting authority and its representation on the Board of Trustees.

Note 11 – Related Party Transactions

The Library pays an annual fee to Northeast Ohio Regional Library System (NEO-RLS) a jointly governed organization of which the Library is a member. NEO-RLS provides information, resources and expertise to its members. The Library paid \$4,025 for annual dues in 2011 and \$2,400 for annual dues in 2010.

Note 12 – 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 in 2011 and 2010 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than an assignment of fund balance (cash basis). The encumbrances outstanding at year end December 31, 2011 (budgetary basis) amounted to \$252,918 for the general fund. Encumbrances outstanding at year end December 31, 2010 (budgetary basis) amounted to \$224,194 for the general fund.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

July 25, 2012

Board of Trustees
Cuyahoga Falls Library
2015 Third Street
Cuyahoga Falls, Ohio 44221

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 **Cuyahoga Falls Library**, Summit 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 and have issued our report dated July 25, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles and wherein we noted the Library has adopted Governmental Accounting Standards Board Statement No. 54. 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 expressing our opinions on the financial statements, but not to opine 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 reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry and Associates
Certified Public Accountants, A.C.

This page intentionally left blank.



Dave Yost • Auditor of State

CUYAHOGA FALLS LIBRARY

SUMMIT 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
NOVEMBER 29, 2012