



Dave Yost • Auditor of State

**PORTER PUBLIC LIBRARY
CUYAHOGA COUNTY**

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CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

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 Porter Public Library, Cuyahoga 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.

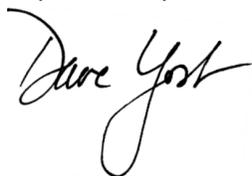
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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 Porter Public Library, Cuyahoga 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 Porter Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and restated the December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 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.

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

Dave Yost
Auditor of State

July 9, 2012

Porter Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
Unaudited

This discussion and analysis of the Porter Public Library's ("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 of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities increased \$629,276 or 14.00 percent. Two funds had a significant increase in cash and cash equivalents. They were the General Fund and the Permanent Improvement Fund.

The Library's general receipts were primarily property taxes and Intergovernmental Revenue. In 2011 these receipts represent, respectively, 65.40 and 30.82 percent of the total cash received for governmental activities during the year. The Public Library Fund (PLF) grew \$32,538 or 2.06 percent as a result of slight growth in Ohio's General Revenue Fund. However, property tax revenue dropped \$44,749 or 1.31 percent and interest revenue increased slightly. Growth in the Permanent Improvement Fund came due to a transfer from the General Fund for future capital improvements.

The Library's general expenses remained stable.

The Board reinstated employee grade/step increases but continued the conditional hiring freeze thus continuing to lower payroll costs through natural attrition eliminating three positions. No major projects were undertaken. However, in 2011 the library building experienced two major floods. An engineer was retained to examine the cause and it was determined that the site drainage needed to be improved on the far north and west side of the building. Engineered drawings were prepared and the project was advertised. KMU Construction was awarded the bid and the improvement was completed in spring of 2012.

Key highlights for 2010 are as follows:

Net assets of governmental activities increased \$787,439 or 21.23 percent.

The Library's general receipts were primarily property taxes and Intergovernmental Revenue. In 2010 these receipts represent, respectively, 64.91 and 30.77 percent of the total cash received for governmental activities during the year. The Library experienced a 6.05 percent cut in the Public Library Fund (PLF) due to declining state revenue along with the reduction of the Library's share of Ohio's General Revenue by the state legislature, from 2.22 percent to 1.97 percent. Property tax revenue dropped 2.65 percent, and, interest income decreased significantly, 47.45 percent, due to interest rates continuing to plummet. The Board continued forward with the Long Range Improvement Plan which began in 2009 so growth was seen in the Automation Fund, the result of a transfer from the General Fund for future automation improvements.

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Due to lowered revenue the Board froze employee wages in 2010 and continued a conditional hiring freeze eliminating six positions through attrition. No major projects were undertaken; the building was simply maintained. As a result expenses decreased \$334,470 or 6.93 percent.

Using the Basic Financial Statements

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

Report Components

The statement of net 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 the use of which is restricted to a particular specified purpose. These statements present financial information by fund, presenting major 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.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2011 and 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each Library program. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General

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Cuyahoga County
Management's Discussion and Analysis
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Unaudited

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 reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and the Public Library Fund (PLF).

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

Reporting the Library's Most Significant Funds

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

Governmental Funds – The Library's fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's major governmental funds are the General Fund, the Permanent Improvement Fund, and the Automation 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs. The Library reports one Agency Fund which holds funds for employees participating in a Flex One Plan through AFLAC.

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

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

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Cash and Cash Equivalents	\$5,125,240	\$4,495,964	\$3,708,525
Total Assets	<u>\$5,125,240</u>	<u>\$4,495,964</u>	<u>\$3,708,525</u>
Net Assets			
Restricted for:			
Capital Projects	\$1,299,620	\$1,135,750	\$1,043,915
Special Revenue Funds	9,671	13,628	137,264
Permanent Fund Purpose	80,739	80,490	80,460
Unrestricted	<u>3,735,210</u>	<u>3,266,096</u>	<u>2,446,886</u>
Total Net Assets	<u>\$5,125,240</u>	<u>\$4,495,964</u>	<u>\$3,708,525</u>

As mentioned previously, net assets of governmental activities during 2011 and 2010 increased \$629,276 and \$787,439, respectively, or 14.00 and 21.23, respectively. The primary reasons contributing to the increases in cash balances were because of the following expense reductions:

- In 2011, a conditional hiring freeze continued resulting in the elimination of 3 positions or 36 hours, saving approximately \$30,000 in salaries and benefits.
- Health benefits were negotiated to a minimal raise in cost.
- Major building improvement projects were pushed forward.

- In 2010, frozen wages, reduction in the substitute budget, and a conditional hiring freeze resulted in the attrition of 6 positions, eliminating 120 hours and saving approximately \$300,000 in salaries and benefits.
- Pay at time and a half on Sundays along with paid lunches on Friday and Saturdays and paid dinners for evening schedules were eliminated resulting in savings in salaries.
- Health benefit costs were negotiated to remain at 2009 levels.
- The Library material budget was reduced by \$150,000.
- Fines for late library materials were raised to 10 cents.

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

(Table 2)
Changes in Net Assets

	Governmental		
	Activities		
	2011	2010	2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$120,567	\$139,061	\$107,111
Operating Grants and Contributions	37,822	45,939	42,744
Capital Grants and Contributions	6,337	7,240	28,233
Total Program Receipts	<u>164,726</u>	<u>192,240</u>	<u>178,088</u>
General Receipts:			
Property and Other Local Taxes	3,381,577	3,426,326	3,519,750
Unrestricted Gifts and Contributions	390	401	5,662
Grants and Entitlements Not Restricted to Specific Programs	1,593,488	1,624,465	1,701,127
Sale of Capital Assets	0	0	1,826
Earnings on Investments	24,216	23,973	45,621
Miscellaneous	6,391	11,357	15,408
Total General Receipts	<u>5,006,062</u>	<u>5,086,522</u>	<u>5,289,394</u>
Total Receipts	<u>5,170,788</u>	<u>5,278,762</u>	<u>5,467,482</u>
Disbursements:			
Library Services	4,445,979	4,424,666	4,617,124
Capital Outlay	95,533	66,657	208,669
Total Disbursements	<u>4,541,512</u>	<u>4,491,323</u>	<u>4,825,793</u>
Change in Net Assets	629,276	787,439	641,689
Net Assets, January 1	<u>4,495,964</u>	<u>3,708,525</u>	<u>3,066,836</u>
Net Assets, December 31	<u>\$5,125,240</u>	<u>\$4,495,964</u>	<u>\$3,708,525</u>

Program receipts in 2011 and 2010 represent only 3.19 and 3.64 percent, respectively, of total receipts and are primarily comprised of fines and fees for overdue or lost library materials as well as charges for printing and making copies.

General receipts in 2011 and 2010 represent 96.81 and 96.36 percent of the Library's total receipts, and of the total General receipts, over 67.55 and 67.36 percent, respectively, are Property and Other Local taxes with 31.83 and 31.94 percent, respectively, coming from State and Federal grants and entitlements. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services, and business administration represent the cost of running the library.

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 activities are General Library Services and Capital Outlay. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) Receipts and Changes in Net Assets column compare 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)

<u>Governmental Activities</u>	Total Cost Of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Library Services	\$ 4,445,979	\$ 4,287,590	\$ 4,424,666	\$ 4,239,666
Capital Outlay	95,533	89,196	66,657	59,417
Total Governmental Activities	<u>\$ 4,541,512</u>	<u>\$ 4,376,786</u>	<u>\$ 4,491,323</u>	<u>\$ 4,299,083</u>

The dependence upon general receipts is apparent as over 96.37 and 95.72 percent, respectively, of library activities are supported through these receipts.

The Library's Funds

Total governmental funds had receipts (not including other financing sources) in 2011 and 2010 of \$5,170,788 and \$5,278,762, respectively, and disbursements (not including other financing uses) of \$4,541,512 and \$4,491,323, respectively. The greatest change within governmental funds occurred within the General Fund. The general fund balance increased \$469,114 and \$675,068, respectively, as the result of reduced costs for salaries and benefits and library materials.

In 2011 and 2010, General Fund receipts were more than disbursements by \$675,234 and \$791,196, respectively, indicating Library's effort to reduce costs. It was the recommendation of the Library Board finance committee and the Library administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. These reductions were implemented in 2010 including a conditional hiring freeze and elimination of positions by natural attrition, a salary freeze, and a reduction in library material purchases.

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These cuts will not eliminate the need for additional funds (or additional cuts) in the future if property values decrease reducing local property taxes and the PLF remains stagnant.

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 and 2010, the Library's General Fund remained stable. Final budgeted receipts were close to original budgeted receipts for both years.

Final disbursements and transfers in 2011 and 2010 were budgeted at \$5,280,137 and \$5,059,723, respectively, while actual disbursements were \$4,893,665 and \$4,720,782, respectively. The variance of \$386,472 and \$338,941 respectively, between the final budget in 2011 and 2010 and the actual disbursements represents the effort made by the Board and administration of the Library to reduce costs so as not to burden taxpayers with additional millage and also to begin setting aside funds for future major capital improvements.

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 relies heavily on local taxes and PLF funding. PLF funding was frozen in July of 2011 at the level it was reduced to in 2009, 1.97 percent of the State of Ohio's General Revenue fund. With the State's poor economic conditions, which have existed for a number of years, the General Revenue fund has shrunk subsequently reducing the Library's PLF funds. In 2012, Cuyahoga County's property values will be reappraised and are expected to drop significantly. Although the City of Westlake remains somewhat stable in property values the reappraisal is expected to lower the Library's property tax revenue. A twenty year fiscal forecast for the library was prepared and the Board implemented a strategy with hopes of not raising the Library's millage level while at the same time endeavoring to set funds aside for future capital improvements. This plan became effective in 2010. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Library and as a result have allowed staffing levels to reduce through attrition in areas where we felt it would have the least impact on services. All departments were asked to reduce spending on supplies by 20 percent. As mentioned earlier in the report, salaries were frozen in 2010 and the library materials budget was reduced by \$150,000. While employee raises and the library material budget were reinstated in 2011, library administration and staff are still watching disbursements closely in order to stay below budget and conserve library funding.

Porter Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
Unaudited

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 Judy Dobbs, Fiscal Officer, Porter Public Library, 27333 Center Ridge Road, Westlake, Ohio, 44145, Phone: (440-250-5452).

Porter Public Library
Cuyahoga County
Statement of Net Assets - Cash Basis
December 31, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,125,240
<i>Total Assets</i>	<i>\$5,125,240</i>
 Net Assets	
Restricted for:	
Capital Projects	\$1,299,620
Permanent Fund Purpose:	
Expendable	37,176
Nonexpendable	43,563
Other Purposes	9,671
Unrestricted	3,735,210
<i>Total Net Assets</i>	<i>\$5,125,240</i>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga 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 and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Library Services	\$4,445,979	\$120,567	\$37,822		(\$4,287,590)
Capital Outlay	95,533			\$6,337	(89,196)
<i>Total Governmental Activities</i>	<u>\$4,541,512</u>	<u>\$120,567</u>	<u>\$37,822</u>	<u>\$6,337</u>	<u>(\$4,376,786)</u>
		General Receipts:			
					\$3,381,577
					390
					1,593,488
					24,216
					6,391
					<u>5,006,062</u>
					629,276
					<u>4,495,964</u>
					<u>\$5,125,240</u>

See accompanying notes to the basic financial statements

**Porter Public Library
Cuyahoga County**
*Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2011*

	General	Permanent Improvement	Automation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,735,210	\$751,005	\$548,615	\$90,410	\$5,125,240
<i>Total Assets</i>	<u>\$3,735,210</u>	<u>\$751,005</u>	<u>\$548,615</u>	<u>\$90,410</u>	<u>\$5,125,240</u>
Fund Balances					
Nonspendable				\$43,563	\$43,563
Restricted				37,176	37,176
Committed				9,671	9,671
Assigned	397,006	751,005	548,615		1,696,626
Unassigned (Deficit)	3,338,204				3,338,204
<i>Total Fund Balances</i>	<u>\$3,735,210</u>	<u>\$751,005</u>	<u>\$548,615</u>	<u>\$90,410</u>	<u>\$5,125,240</u>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Cash Basis
December 31, 2011

Total Governmental Fund Balances	<u>\$5,125,240</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,125,240</u></u>

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Automation	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$3,381,577				\$3,381,577
Intergovernmental	1,593,488				1,593,488
Patron Fines and Fees	99,393				99,393
Contributions, Gifts and Donations	9,192			35,357	44,549
Earnings on Investments	18,551	2,950	2,465	250	24,216
Miscellaneous	27,565				27,565
<i>Total Receipts</i>	<u>5,129,766</u>	<u>2,950</u>	<u>2,465</u>	<u>35,607</u>	<u>5,170,788</u>
Disbursements					
Current:					
Library Services	4,421,845			24,134	4,445,979
Capital Outlay	32,687	48,909	11,757	2,180	95,533
<i>Total Disbursements</i>	<u>4,454,532</u>	<u>48,909</u>	<u>11,757</u>	<u>26,314</u>	<u>4,541,512</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>675,234</u>	<u>(45,959)</u>	<u>(9,292)</u>	<u>9,293</u>	<u>629,276</u>
Other Financing Sources (Uses)					
Transfers In	14,706	200,826	20,000		235,532
Transfers Out	(220,826)			(14,706)	(235,532)
<i>Total Other Financing Sources (Uses)</i>	<u>(206,120)</u>	<u>200,826</u>	<u>20,000</u>	<u>(14,706)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	469,114	154,867	10,708	(5,413)	629,276
<i>Fund Balances, Beginning of Year</i>	<u>3,266,096</u>	<u>596,138</u>	<u>537,907</u>	<u>95,823</u>	<u>4,495,964</u>
<i>Fund Balances, End of Year</i>	<u>\$3,735,210</u>	<u>\$751,005</u>	<u>\$548,615</u>	<u>\$90,410</u>	<u>\$5,125,240</u>

See accompanying notes to the basic financial statement:

Porter Public Library

Cuyahoga County

*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*

Net Change in Fund Balances - Total Governmental Funds	<u>\$629,276</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$629,276</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$3,708,351	\$3,843,736	\$3,381,577	(\$462,159)
Intergovernmental	1,137,651	1,131,328	1,593,488	462,160
Patron Fines and Fees	115,000	99,550	99,393	(157)
Contributions, Gifts and Donations	0	390	390	0
Earnings on Investments	15,000	18,298	18,075	(223)
Miscellaneous	33,000	29,231	27,565	(1,666)
	5,009,002	5,122,533	5,120,488	(2,045)
Disbursements				
Current:				
Library Services	4,913,780	5,008,283	4,642,259	366,024
Capital Outlay	40,482	49,482	30,580	18,902
<i>Total Disbursements</i>	4,954,262	5,057,765	4,672,839	384,926
<i>Excess of Receipts Over (Under) Disbursements</i>	54,740	64,768	447,649	382,881
Other Financing Sources (Uses)				
Transfers In			322	322
Transfers Out	(222,372)	(222,372)	(220,826)	1,546
<i>Total Other Financing Sources (Uses)</i>	(222,372)	(222,372)	(220,504)	1,868
<i>Net Change in Fund Balance</i>	(167,632)	(157,604)	227,145	384,749
<i>Unencumbered Fund Balance Beginning of Year</i>	2,942,913	2,942,913	2,942,913	0
Prior Year Encumbrances Appropriated	168,146	168,146	168,146	0
<i>Unencumbered Fund Balance End of Year</i>	\$2,943,427	\$2,953,455	\$3,338,204	\$384,749

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,170</u>
<i>Total Assets</i>	<u>\$1,170</u>
Net Assets	
Held on Behalf of Emp FSA Fund	<u>\$1,170</u>
<i>Total Net Assets</i>	<u><u>\$1,170</u></u>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Statement of Net Assets - Cash Basis
December 31, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,495,964
<i>Total Assets</i>	\$4,495,964
 Net Assets	
Restricted for:	
Capital Projects	\$1,135,750
Permanent Fund Purpose:	
Expendable	36,927
Nonexpendable	43,563
Other Purposes	13,628
Unrestricted	3,266,096
<i>Total Net Assets</i>	\$4,495,964

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga 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 and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Library Services	\$4,424,666	\$139,061	\$45,939		(\$4,239,666)
Capital Outlay	<u>\$66,657</u>			<u>\$7,240</u>	<u>(\$59,417)</u>
<i>Total Governmental Activities</i>	<u><u>\$4,491,323</u></u>	<u><u>\$139,061</u></u>	<u><u>\$45,939</u></u>	<u><u>\$7,240</u></u>	<u><u>(4,299,083)</u></u>
General Receipts:					
					\$3,426,326
					401
					1,624,465
					23,973
					<u>11,357</u>
					<u>5,086,522</u>
					787,439
					<u>3,708,525</u>
					<u><u>\$4,495,964</u></u>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Automation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,266,096	\$596,138	\$537,907	\$95,823	\$4,495,964
<i>Total Assets</i>	<u>\$3,266,096</u>	<u>\$596,138</u>	<u>\$537,907</u>	<u>\$95,823</u>	<u>\$4,495,964</u>
Fund Balances					
Nonspendable				\$43,563	\$43,563
Restricted				36,927	36,927
Committed				13,628	13,628
Assigned	\$323,183	\$596,138	\$537,907	1,705	1,458,933
Unassigned (Deficit)	2,942,913				2,942,913
<i>Total Fund Balances</i>	<u>\$3,266,096</u>	<u>\$596,138</u>	<u>\$537,907</u>	<u>\$95,823</u>	<u>\$4,495,964</u>

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities - Cash Basis
December 31, 2010

Total Governmental Fund Balances	<u>\$4,495,964</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$4,495,964</u></u>

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Automation	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$3,426,326				\$3,426,326
Intergovernmental	1,624,465				1,624,465
Patron Fines and Fees	114,949				114,949
Contributions, Gifts and Donations	17,623			35,957	53,580
Earnings on Investments	15,173	3,531	5,224	45	23,973
Miscellaneous	35,469				35,469
<i>Total Receipts</i>	<u>5,234,005</u>	<u>3,531</u>	<u>5,224</u>	<u>36,002</u>	<u>5,278,762</u>
Disbursements					
Current:					
Library Services	4,387,799			36,867	4,424,666
Capital Outlay	55,010		2,000	9,647	66,657
<i>Total Disbursements</i>	<u>4,442,809</u>	<u>0</u>	<u>2,000</u>	<u>46,514</u>	<u>4,491,323</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>791,196</u>	<u>3,531</u>	<u>3,224</u>	<u>(10,512)</u>	<u>787,439</u>
Other Financing Sources (Uses)					
Transfers In		0	116,128		116,128
Transfers Out	(116,128)				(116,128)
<i>Total Other Financing Sources (Uses)</i>	<u>(116,128)</u>	<u>0</u>	<u>116,128</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	675,068	3,531	119,352	(10,512)	787,439
<i>Fund Balances, Beginning of Year - Restated</i>	<u>2,591,028</u>	<u>592,607</u>	<u>418,555</u>	<u>106,335</u>	<u>3,708,525</u>
<i>Fund Balances, End of Year</i>	<u>\$3,266,096</u>	<u>\$596,138</u>	<u>\$537,907</u>	<u>\$95,823</u>	<u>\$4,495,964</u>

See accompanying notes to the basic financial statement:

Porter Public Library

Cuyahoga County

*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*

Net Change in Fund Balances - Total Governmental Funds	<u>\$787,439</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$787,439</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$3,674,160	\$3,977,529	\$3,426,326	(\$551,203)
Intergovernmental	1,031,497	1,073,239	1,624,465	551,226
Patron Fines and Fees	90,000	114,670	114,949	279
Contributions, Gifts and Donations	0	290	340	50
Earnings on Investments	25,000	15,190	15,158	(32)
Miscellaneous	30,000	35,205	35,469	264
<i>Total Receipts</i>	4,850,657	5,216,123	5,216,707	584
Disbursements				
Current:				
Library Services	4,869,244	4,874,314	4,545,556	328,758
Capital Outlay	65,481	65,481	59,098	6,382
<i>Total Disbursements</i>	4,934,725	4,939,795	4,604,654	335,141
<i>Excess of Receipts Over (Under) Disbursements</i>	(84,068)	276,328	612,053	335,725
Other Financing Sources (Uses)				
Transfers In	0	0	101	101
Transfers Out	(119,928)	(119,928)	(116,128)	3,800
<i>Total Other Financing Sources (Uses)</i>	(119,928)	(119,928)	(116,027)	3,901
<i>Net Change in Fund Balance</i>	(203,996)	156,400	496,026	339,626
<i>Unencumbered Fund Balance Beginning of Year</i>	2,268,964	2,268,964	2,268,964	0
Prior Year Encumbrances Appropriated	177,923	177,923	177,923	0
<i>Unencumbered Fund Balance End of Year</i>	\$2,242,891	\$2,603,287	\$2,942,913	\$339,626

See accompanying notes to the basic financial statements

Porter Public Library
Cuyahoga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,170</u>
<i>Total Assets</i>	<u><u>\$1,170</u></u>
Net Assets	
Held on Behalf of Emp FSA Fund	<u>1,170</u>
<i>Total Net Assets</i>	<u><u>\$1,170</u></u>

See accompanying notes to the basic financial statements

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 1 – Description of the Library and Reporting Entity

Library service began in Dover, now known as Westlake, Ohio, in 1884 under the name of the Dover Literary Society. From this small beginning the Porter Public Library was organized as a school district public library in 1938 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Westlake 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 Westlake 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 Porter Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Porter 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

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

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 the financial activities of the Library, except for fiduciary funds.

The statements of net assets present the cash balance of the governmental activities of the Library at each year end. The statements of activities compare 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 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, 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 and are divided into two categories: governmental and fiduciary.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds

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

General Fund - The general fund accounts for 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.

Permanent Improvement Fund – The permanent improvement fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

Automation Fund – The automation fund accounts for monies set aside by the Board of Library Trustees specifically for major technology improvements.

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

Fiduciary Funds

The Library's Fiduciary fund includes an agency fund. Agency funds are purely custodial and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for its employees' Medical Flexible Spending Account.

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

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 expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

established at the fund and major 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 revenues to be received during the year. These estimated revenues, 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.

E. Cash and Cash Equivalents

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

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

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

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

During 2011 and 2010, investments were limited to Federal Home Loan Mortgage Corporation Discount Notes, United States Treasury Notes, United States Treasury Bills, STAR Ohio and nonnegotiable certificates of deposit. Except for STAR Ohio these investments are recorded at cost.

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 December 31, 2010.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds during 2011 and 2010 amounted to \$24,216 and \$23,973, respectively.

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, laws of other governments, or imposed by enabling legislation. The Library had \$1,299,620 and \$1,135,750 restricted for Capital Projects, \$80,739 and \$80,490 restricted in Permanent Funds, and \$9,671 and \$13,628 restricted for Other Purposes at December 31, 2011 and December 31, 2010, respectively.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid.

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.

I. Fund Balance

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

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

Restricted Fund balance is reported as restricted when constraints are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations by 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 to 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.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

I. Fund Balance (continued)

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 the 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.

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. 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.

The Library had \$1,390,030 and \$1,229,868 at December 31, 2011 and December 31, 2010, respectively, Restricted for Capital Projects, Permanent Funds and Other Purposes as discussed in Note 2.F above.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

M. Interfund Transactions

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

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 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 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General Fund	Permanent Improvement Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance at 12/31/10					
As previously reported	\$2,446,887	\$592,607	\$418,555	\$250,476	\$3,708,525
Change in Fund Structure	144,141	-	-	(144,141)	-
As restated at 12/31/10	<u>\$2,591,028</u>	<u>\$592,607</u>	<u>\$418,555</u>	<u>\$106,335</u>	<u>\$3,708,525</u>

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 is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). Additionally, three funds are included in the General Fund for GASB 54 purposes, but have separate legally adopted budgets (budgetary basis). The General Fund encumbrances outstanding at year end 2011 and 2010 (budgetary basis) amounted to \$224,411 and \$168,146. The fund balances of funds budgeted elsewhere at year end 2011 and 2010 (budgetary basis) amounted to \$172,595 and \$155,037.

Note 5 - Deposits and Investments

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

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

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

Note 5 - Deposits and Investments (continued)

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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Note 5 - Deposits and Investments (continued)

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 or transfer from the custodian.

At year end December 31, 2011 and December 31, 2010, the Library had \$1,199 in undeposited cash on hand for petty cash purposes, which is included as part of Equity in Pooled Cash and Cash Equivalents on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end 2011 the carrying amount of the Library's deposits was \$3,373,147 and the bank balance was \$3,461,534. At fiscal year-end 2010 the carrying amount of the Library's deposits was \$2,064,364 and the bank balance was \$2,171,261. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investments of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. 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 times shall be at least one hundred five percent of the deposits secured.

Investments

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

<u>Type</u>	<u>Carrying Value</u>	<u>Investment to Maturity in Days</u>
STAR Ohio	\$ 951,895	57
T-BILL	498,739	40
T-NOTE	301,430	152
Total Investments	<u>\$ 1,752,064</u>	

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 5 - Deposits and Investments (continued)

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

<u>Type</u>	<u>Carrying Value</u>	<u>Investment to Maturity in Days</u>
STAR Ohio	\$ 427,945	55
T-NOTE	251,035	31
T-BILL	498,272	41
T-NOTE	451,863	90
T-BILL	249,786	118
T-NOTE	251,240	212
T-NOTE	<u>301,430</u>	517
Total Investments	<u>\$ 2,431,571</u>	

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 investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow.

The Library's investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, the Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 5 - Deposits and Investments (continued)

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2011 and 2010:

Investment Issuer	Percentage of Investments	
	2011	2010
Star Ohio	54%	18%
T-Bill	29%	31%
T-Note	17%	51%

Note 6 – Public Library Fund and Property Taxes

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangibles tax of PLF revenues, and its population. The County Budget Commission allocates these funds to the Library based on the 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.

Property taxes include amounts levied against all real and public utility property located in the Westlake School District. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes and property tax revenue received during 2010 represents collections of 2009 taxes.

Property taxes levied for 2011 and 2010 are levied on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012. 2010 real property taxes are collected and intended to finance 2011.

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

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

The full tax rate for all Library operations for the year ended December 31, 2011 was 2.80 (2.8 mills) per \$1,000 of assessed value and for the year ended December 31, 2010 was 2.80 (2.5 mills) per \$1,000 of assessed value.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 6 – Public Library Fund and Property Taxes (continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2011 and 2010 property tax receipts were based were as follows:

Assessed Values	2011	2010
Real Property	\$968,121,950	\$964,775,720
Other Real Estate	383,265,660	381,758,880
Public Utility Personal Prop	<u>18,395,760</u>	<u>17,904,860</u>
	<u>\$1,369,783,370</u>	<u>\$1,364,439,460</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 Cincinnati Insurance Company for the following types of insurance coverage:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Cincinnati Insurance Company	Commercial	
	Building	\$ 9,100,000
	Personal Property	\$ 1,001,813
	Inland Marine	\$ 8,644,159
	General Liability	
	Per occurrence	\$ 1,000,000
	Aggregate	\$ 2,000,000
	Umbrella	\$ 2,000,000
	Automobile	\$ 500,000
	Commercial Crime	
	Employee Dishonesty	\$ 10,000
Public Official Bond	\$ 50,000	

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

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

Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan — a cost-sharing, multiple - employer defined benefit pension plan; the Member-Directed Plan — a defined contribution plan;

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 8 - Defined Benefit Pension Plan (continued)

Ohio Public Employees Retirement System (continued)

and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS 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 Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. For the years ending December 31, 2011 and December 31, 2010, the Library contributed at a rate of 14.0 percent of covered payroll and members contributed at a rate of 10.0 percent. 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 \$324,034, \$326,490 and \$336,836 respectively; 91.73 percent has been contributed for 2011, and 100 percent for 2010 and 2009. Contributions made by the Library to the member-directed plan for 2011, 2010, and 2009 were \$21,165, \$19,830 and \$19,630, respectively, and \$15,118, \$14,164, and \$14,022 respectively, was made by the plan members.

Note 9 – Postemployment Benefits

OPERS maintains a cost-sharing multiple employer defined benefit post-employment Health care 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. This health care coverage qualifies as an Other Post Employment Benefit. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Active members do not make contributions to the OPEB Plan.

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

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contribution to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 9 – Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011 and 2010, the Library contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the Library's contribution to a rate not to exceed 14 percent of covered payroll.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan in 2011 was 4 percent; the portion of employer contributions allocated to health care members of the Combined Plan was 6.05 percent. In 2010, the portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members of the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post employment health care benefits for the years ended December 2011, 2010, and 2009 were \$98,623, \$125,584, and \$148,930, respectively; percent has been contributed for 2011 and 100 percent for 2010 and 2009.

Note 10 – Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$16,565 and \$25,940, respectively, to pay lease costs for the year ended December 31, 2011 and December 31, 2010. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2012-16	\$ 26,011
2017-20	<u>20,000</u>
Total	<u>\$ 46,011</u>

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 11 – Fund Balances

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

2011 Fund Balances	General	Permanent Improvement	Automation	Other Governmental Funds	Total
Nonspendable					
Permanent	\$ 0	\$ 0	\$ 0	43,563	43,563
<i>Total Nonspendable</i>	0	0	0	43,563	43,563
Restricted for					
K-6 Educational Materials	0	0	0	13,879	13,879
Serious Music Materials	0	0	0	5,206	5,206
Other	0	0	0	18,091	18,091
<i>Total Restricted</i>	0	0	0	37,176	37,176
Committed to					
Friends Fund	0	0	0	9,671	9,671
<i>Total Committed</i>	0	0	0	9,671	9,671
Assigned to					
Capital Improvements		751,005	548,615	0	1,299,620
General Fund	397,006	0	0	0	397,006
<i>Total Assigned</i>	397,006	751,005	548,615	0	1,696,626
Unassigned (Deficit)					
	3,338,204	0	0	0	3,338,204
<i>Total Fund Balances</i>	<u>\$3,735,210</u>	<u>\$751,005</u>	<u>\$548,615</u>	<u>\$90,410</u>	<u>\$5,125,240</u>

**Porter Public Library
Cuyahoga County**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Note 11 – Fund Balances (continued)

2010 Fund Balances	General	Permanent Improvement	Automation	Other Governmental Funds	Total
Nonspendable					
Permanent	\$0	\$0	\$0	\$43,563	\$43,563
<i>Total Nonspendable</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,563</u>	<u>43,563</u>
Restricted for					
Other				17,942	17,942
K-9 Educational Materials				13,814	13,814
Serious Music Materials	0	0	0	5,171	5,171
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,927</u>	<u>36,927</u>
Committed to					
Friends Fund	0	0	0	13,628	13,628
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,628</u>	<u>13,628</u>
Assigned to					
Capital Improvements		596,138	537,907	1,705	1,135,750
General Fund	323,183	0	0	0	323,183
<i>Total Assigned</i>	<u>323,183</u>	<u>596,138</u>	<u>537,907</u>	<u>1,705</u>	<u>1,458,933</u>
Unassigned (Deficit)	<u>2,942,913</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,942,913</u>
<i>Total Fund Balances</i>	<u>\$3,266,096</u>	<u>\$596,138</u>	<u>\$537,907</u>	<u>\$95,823</u>	<u>\$4,495,964</u>

Note 12 – Interfund Transfers

In 2011, the General Fund transferred \$200,826 to the Permanent Improvement Fund for future capital improvements; also transferred from the General Fund was \$20,000 to the Automation Fund for technology improvements. The Building Fund transferred \$1,706 to the General Fund. The Friends Fund transferred \$13,000 to the General Fund as a donation towards a Donor Plaque. In 2010, the General Fund transferred \$116,128 of unused funding to the Automation Fund.

Note 13 – Related Organizations

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable: Friends of Westlake Porter Public Library and Westlake Porter Public Library Foundation.



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

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

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 Porter Public Library, Cuyahoga 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 July 9, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and restated the December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure. 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.

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

July 9, 2012



Dave Yost • Auditor of State

PORTER PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2012