

**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**



Dave Yost • Auditor of State

Board of Trustees
Euclid Public Library
631 E. 22nd Street
Euclid, Ohio 44123

We have reviewed the *Independent Auditors' Report* of the Euclid Public Library, Cuyahoga County, prepared by NMS Certified Public Accountants, for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 16, 2013

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**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
FINANCIAL STATEMENTS**

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Independent Auditors' Report

Euclid Public Library
Cuyahoga County
631 East 222nd Street
Euclid, OH 44123

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and its major funds of Euclid Public Library, Cuyahoga County, Ohio (the Library) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, which collectively comprise the Euclid Public Library's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Euclid Public Library, Cuyahoga County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2011 the Euclid Public Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

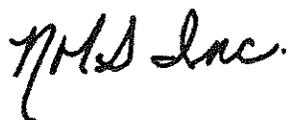
We audited to opine on the Euclid Public Library's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are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

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of Euclid Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Mentor, Ohio
June 24, 2013

**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
UNAUDITED**

The management's discussion and analysis of the Euclid Public Library ("the Library") financial performance provides an overall review of the Libraries financial activities for the year ended December 31, 2012, and December 31, 2011 within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2012 are as follows:

2012 disbursements are greater than 2011 disbursements due to additional capital projects being started in 2012 as well as increased costs in operations.

The Library's revenue decreased compared to 2011 due to the Library receiving less monies due to cuts in State funding.

Key Highlights for 2011 are as follows:

2011 disbursements are less than 2010 disbursements due to fewer capital projects being done during 2011

The Library's revenue increased compared to 2010 due to the Library seeing the first year of collections on the new .5 mill levy that was passed in 2010.

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 Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

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

**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present 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 Position and the Statement of Activities reflect how the Library did financially during 2012 and 2011, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, 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 position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**EUCLID PUBLIC LIBRARY
 CUYAHOGA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the Library's Most Significant Funds

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

Governmental Funds - The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library had no non-major funds to be reported under Other Governmental Funds. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2012 compared to 2011 and 2010 on a cash basis:

(Table 1)

	Net Position		
	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$5,741,129</u>	<u>\$5,617,314</u>	<u>\$5,120,511</u>
Total Assets	<u>\$5,741,129</u>	<u>\$5,617,314</u>	<u>\$5,120,511</u>
Net position			
Unrestricted	<u>\$5,741,129</u>	<u>\$5,617,314</u>	<u>\$5,120,511</u>
Total Net Position	<u>\$5,741,129</u>	<u>\$5,617,314</u>	<u>\$5,120,511</u>

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Table 2 reflects the changes in the Library's net position in 2012, 2011, and 2010 and a comparative analysis of government-wide data.

(Table 2)
 Change in Net Position

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$118,864	\$123,812	\$112,491
Total Program Revenue	<u>\$118,864</u>	<u>\$123,812</u>	<u>\$112,991</u>
<i>General Receipts:</i>			
Property Taxes	2,598,921	2,505,209	2,328,438
Grants and Entitlements Not Restricted			
To Specific Programs	1,981,049	2,274,892	2,228,528
Unrestricted Contributions and Donations	50,507	39,660	680
Earnings on Investments	12,792	15,008	67,198
Miscellaneous	19,055	15,237	29,221
<i>Total General Receipts</i>	<u>4,662,324</u>	<u>4,850,006</u>	<u>4,654,065</u>
<i>Total Receipts</i>	<u>4,781,188</u>	<u>4,973,818</u>	<u>4,766,556</u>
Disbursements:			
General Library Services	4,478,727	4,376,783	4,423,750
Capital Outlay	178,646	100,232	246,861
<i>Total Disbursements</i>	<u>4,657,373</u>	<u>4,477,015</u>	<u>4,670,611</u>
Excess of Receipts Over(Under) Disbursements	<u>123,815</u>	<u>496,803</u>	<u>95,945</u>
Change in Net position			
Net Position, January 1	<u>5,617,314</u>	<u>5,120,511</u>	<u>5,024,566</u>
Net Position, December 31	<u>\$5,741,129</u>	<u>\$5,617,314</u>	<u>\$5,120,511</u>

Property taxes and intergovernmental receipts in 2012 and 2011 are 95.79 percent and 96.11 percent respectively, of total receipts. Property taxes in 2012 increased, primarily due to more timely collections from taxpayers. Property taxes increased in 2011, primarily due to receiving collections from the new .5 mill levy that was passed in 2010. Earnings on investments decreased during 2012 and 2011, due to lower interest rates.

Disbursements for general library services represent the cost of running the Library. These disbursements increased in 2012 mainly due to new capital projects being undertaken and decreased slightly in 2011 due to fewer capital projects being done during 2011.

**EUCLID PUBLIC LIBRARY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
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Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next 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) 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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General Library Services	\$4,478,727	\$4,359,863	\$4,376,783	\$4,252,971
Capital Outlay	178,646	178,646	100,232	100,232
Total Governmental Activities	<u>\$4,657,373</u>	<u>\$4,538,509</u>	<u>\$4,477,015</u>	<u>\$4,353,203</u>

	Total Cost of Services 2010	Net Cost of Services 2010
General Library Services	\$4,423,750	\$4,311,259
Capital Outlay	246,861	246,861
Total Governmental Activities	<u>\$4,670,611</u>	<u>\$4,558,120</u>

The Library's Funds

Total governmental funds had receipts in 2012 and 2011 of \$4,781,188 and \$4,973,818, respectively, and disbursements in 2012 and 2011 of \$4,657,373 and \$4,477,015, respectively. The fund balance of the general fund increased \$210,997 in 2012 and \$522,711 in 2011, primarily due to the increased amounts of property taxes collected as well as greater amounts of contributions and donations. The fund balance of the building fund decreased \$87,182 in 2012 and \$25,908 in 2011, primarily due to continued capital outlays.

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.

**EUCLID PUBLIC LIBRARY
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General Fund Budgeting Highlights (Continued)

During calendar years 2012 and 2011, the Library's general fund budget was stable. Final disbursements for 2012 were budgeted at \$5,188,100, while actual disbursements were \$4,699,790. Final disbursements for 2011 were budgeted at \$4,886,602, while actual disbursements were \$4,649,445. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during these periods.

Capital Assets and Debt Administration

The Library does not currently keep track of its capital assets and infrastructure. At December 31, 2012 and 2011, the Library had no debt obligations.

Current Issues

The challenge for all Ohio Libraries is to provide quality services to meet public demands while staying within the restrictions of State funding. The Library relies heavily on property taxes and the PLF revenue. Even though the Library has stable funds, it is dependent on funding from the State to remain in this position.

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 David Piskac, Fiscal Officer, Euclid Public Library, 631 East 222nd Street, Euclid, Ohio 44123.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2012

	Governmental Activities
Assets	
Equity in pooled cash and cash equivalents	\$ 5,741,129
Total Assets	\$ 5,741,129
Net Position	
Unrestricted	\$ 5,741,129
Total Net Position	\$ 5,741,129

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
 CUYAHOGA COUNTY
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts & Changes in Net Position Governmental Activities
Governmental Activities			
General library services	\$ 4,478,727	\$ 118,864	\$ (4,359,863)
Capital outlay	178,646	-	(178,646)
Total Governmental Activities	\$ 4,657,373	\$ 118,864	(4,538,509)
General Receipts			
Property taxes levied for general purposes			2,598,921
Grants and entitlements not restricted to specific programs			1,981,049
Unrestricted contributions and donations			50,507
Earnings on Investments			12,792
Miscellaneous			19,055
Total General Receipts			4,662,324
Changes in Net Position			123,815
Net Position - Beginning of Year			5,617,314
Net Position - End of Year			\$ 5,741,129

The accompanying notes are an integral part of the basic financial statements.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 3,957,173	\$ 1,783,956	\$ 5,741,129
Total assets	<u>\$ 3,957,173</u>	<u>\$ 1,783,956</u>	<u>\$ 5,741,129</u>
Fund Balances			
Committed	\$ -	\$ 95,077	\$ 95,077
Assigned	129,599	1,688,879	1,818,478
Unassigned	3,827,574	-	3,827,574
Total fund balances	<u>\$ 3,957,173</u>	<u>\$ 1,783,956</u>	<u>\$ 5,741,129</u>

The accompanying notes are an integral part of the basic financial statements.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS
DECEMBER 31, 2012

Total Governmental Fund Balances	<u>\$ 5,741,129</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 5,741,129</u></u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2012**

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts			
Property and other local taxes	\$ 2,598,921	\$ -	\$ 2,598,921
Intergovernmental	1,981,049	-	1,981,049
Patron fines and fees	118,864	-	118,864
Contributions and donations	50,507	-	50,507
Earnings on investments	12,792	-	12,792
Miscellaneous	19,055	-	19,055
Total receipts	<u>4,781,188</u>	<u>-</u>	<u>4,781,188</u>
Disbursements			
General library services	4,478,727	-	4,478,727
Capital outlay	91,464	87,182	178,646
Total disbursements	<u>4,570,191</u>	<u>87,182</u>	<u>4,657,373</u>
Net Change in Fund Balances	210,997	(87,182)	123,815
Fund Balances - Beginning of Year	<u>3,746,176</u>	<u>1,871,138</u>	<u>5,617,314</u>
Fund Balances - End of Year	<u>\$ 3,957,173</u>	<u>\$ 1,783,956</u>	<u>\$ 5,741,129</u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID 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, 2012**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 123,815</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 123,815</u>

The accompanying notes are an integral part of the basic financial statements.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
DECEMBER 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and other local taxes	\$ 2,392,200	\$ 2,575,252	\$ 2,598,921	\$ 23,669
Intergovernmental	1,953,551	1,980,981	1,981,049	68
Patron fines and fees	111,200	118,864	118,864	-
Contributions and donations	1,000	50,507	50,507	-
Earnings on investments	25,000	12,792	12,792	-
Miscellaneous	12,800	19,055	19,055	-
Total receipts	<u>4,495,751</u>	<u>4,757,451</u>	<u>4,781,188</u>	<u>23,737</u>
Disbursements				
General library services	5,106,971	5,077,135	4,608,326	468,809
Capital outlay	112,367	110,965	91,464	19,501
Total disbursements	<u>5,219,338</u>	<u>5,188,100</u>	<u>4,699,790</u>	<u>488,310</u>
Net Change in Fund Balances	(723,587)	(430,649)	81,398	512,047
Fund Balance - Beginning of Year	3,547,838	3,547,838	3,547,838	-
Prior Year Encumbrances Appropriated	198,338	198,338	198,338	-
Fund Balance - End of Year	<u>\$ 3,022,589</u>	<u>\$ 3,315,527</u>	<u>\$ 3,827,574</u>	<u>\$ 512,047</u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2011**

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 5,617,314
Total assets	<u>\$ 5,617,314</u>
Net Assets	
Unrestricted	\$ 5,617,314
Total net position	<u>\$ 5,617,314</u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
 CUYAHOGA COUNTY
 STATEMENT OF ACTIVITIES - CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts & Changes in Net Position Governmental Activities
Governmental Activities			
General library services	\$ 4,376,783	\$ 123,812	\$ (4,252,971)
Capital outlay	100,232	-	(100,232)
	\$ 4,477,015	\$ 123,812	(4,353,203)
General Receipts			
Property taxes levied for general purposes			2,505,209
Grants and entitlements not restricted to specific programs			2,274,892
Unrestricted contributions and donations			39,660
Interest			15,008
Miscellaneous			15,237
			4,850,006
Total General Receipts			4,850,006
Changes in Net Assets			496,803
Net Position - Beginning of Year			5,120,511
Net Position - End of Year			\$ 5,617,314

The accompanying notes are an integral part of the basic financial statements.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in pooled cash and cash equivalents	\$ 3,746,176	\$ 1,871,138	\$ 5,617,314
Total assets	<u>\$ 3,746,176</u>	<u>\$ 1,871,138</u>	<u>\$ 5,617,314</u>
Fund Balances			
Assigned	\$ 198,338	\$ 1,871,138	\$ 2,069,476
Unassigned	3,547,838	-	3,547,838
Total fund balances	<u>\$ 3,746,176</u>	<u>\$ 1,871,138</u>	<u>\$ 5,617,314</u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS
DECEMBER 31, 2011**

Total Governmental Fund Balances	<u>\$ 5,617,314</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 5,617,314</u></u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
 CUYAHOGA COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2011**

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts			
Property taxes	\$ 2,505,209	\$ -	\$ 2,505,209
Intergovernmental	2,274,892	-	2,274,892
Patron fines and fees	123,812	-	123,812
Contributions and donations	39,660	-	39,660
Earnings on investments	15,008	-	15,008
Miscellaneous	15,237	-	15,237
	<u>4,973,818</u>	<u>-</u>	<u>4,973,818</u>
Disbursements			
General library services	4,376,783	-	4,376,783
Capital outlay	74,324	25,908	100,232
	<u>4,451,107</u>	<u>25,908</u>	<u>4,477,015</u>
Net Change in Fund Balances	522,711	(25,908)	496,803
Fund Balances - Beginning of Year	<u>3,223,465</u>	<u>1,897,046</u>	<u>5,120,511</u>
Fund Balances - End of Year	<u>\$ 3,746,176</u>	<u>\$ 1,871,138</u>	<u>\$ 5,617,314</u>

The accompanying notes are an integral part of the basic financial statements.

EUCLID 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>\$ 496,803</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 496,803</u></u>

The accompanying notes are an integral part of the basic financial statements.

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property taxes	\$ 2,760,873	\$ 2,757,373	\$ 2,505,209	\$ (252,164)
Intergovernmental	2,009,132	1,726,816	2,274,892	548,076
Patron fines and fees	111,000	118,990	123,812	4,822
Contributions and donations	1,000	1,000	39,660	38,660
Earnings on investments	75,000	15,000	15,008	8
Miscellaneous	13,000	15,010	15,237	227
Total receipts	<u>4,970,005</u>	<u>4,634,189</u>	<u>4,973,818</u>	<u>339,629</u>
Disbursements				
General library services	5,025,124	4,786,602	4,575,121	211,481
Capital outlay	102,907	100,000	74,324	25,676
Total disbursements	<u>5,128,031</u>	<u>4,886,602</u>	<u>4,649,445</u>	<u>237,157</u>
Net Change in Fund Balances	(158,026)	(252,413)	324,373	576,786
Fund Balance - Beginning of Year	3,102,880	3,102,880	3,102,880	-
Prior Year Encumbrances Appropriated	120,585	120,585	120,585	-
Fund Balance - End of Year	<u>\$ 3,065,439</u>	<u>\$ 2,971,052</u>	<u>\$ 3,547,838</u>	<u>\$ 576,786</u>

The accompanying notes are an integral part of the basic financial statements.

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 1 - Description of the Library and Reporting Entity

The Euclid Public Library, Cuyahoga County, was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Euclid City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code ("ORC") 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 Euclid City School District ("School District") although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the Library is considered to be a related organization of the Euclid 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 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, the financial statements of the Euclid Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America ("GAAP"). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board ("GASB") pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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.

EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

Building Fund - The building fund accounts for and reports revenues derived from Board approved transfers from the General Fund. These monies are unrestricted and have been assigned to major capital and technology improvements.

EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed. Prior to December 31, 2012 the Board requested and received an amended certificate in which estimated revenue reflects actual revenue for the year.

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 Board of Trustees during the year.

Cash and Cash Equivalents

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

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2011, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Nonnegotiable certificates are recorded at cost.

During 2012, investments were limited to STAR Ohio, STAR Ohio Plus, and nonnegotiable certificates of deposit. Nonnegotiable certificates 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 net asset value per share, which is the price the investment could be sold for on December 31, 2012 or 2011.

STAR Plus is a cash management program that is managed by the State Treasurer's Office which allows Ohio political subdivisions who have a STAR Ohio account to deposit their funds into STAR Plus for investment earning potential purposes. The funds are then distributed to multiple banks in the amounts that will never exceed the Federal Deposit Insurance Corporation (FDIC) maximum amount, currently \$ 250,000.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2012 and 2011 amounted to \$ 12,792 and \$ 15,008, respectively, which includes \$ 3,975 and \$ 4,999 allocated from other Library funds.

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 in 2012 or 2011.

Inventory and Prepaid Items

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

Capital Assets

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

EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursements for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use 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 position is available.

Fund Balance

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

Nonspendable: Amounts in the nonspendable fund category include 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: The restricted fund balance includes amounts that can be spent only for the specific person 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.

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

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

EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

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 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 – Changes in Accounting Principles

2012

For fiscal year 2012, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the Library's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Library's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Library's financial statements.

2011

For the fiscal year 2011, the Library has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 59, "Financial Instruments Omnibus," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing a 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 compromise 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 the governmental funds. The implementation of this statement did not result in a change in total fund balance but only the classification of fund balance on the Library's financial statements.

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 3 – Changes in Accounting Principles (Continued)

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any changes in the Library's financial statements.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the Library's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement resulted in issuance costs being expensed rather than being deferred. The implementation of this statement did not result in any change in the Library's financial statements.

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.

At December 31, 2012, \$ 129,599 was assigned due to general library services in the general fund and the remaining \$ 3,827,574 was unassigned for a total general fund balance of \$ 3,957,173. At year end, \$ 95,077 was committed due to capital projects underway in the building fund and the remaining \$ 1,688,879 was assigned for a total building fund balance of \$ 1,783,956.

At December 31, 2011, \$ 198,338 was assigned due to encumbrances in the general fund and the remaining \$ 3,547,838 was unassigned for a total general fund balance of \$ 3,746,176. The building fund balance totaled \$ 1,871,138, all of which was assigned due to management's intent to use the funds for capital and technology improvements.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the general fund at year end (budgetary basis) amounted to \$ 129,599 for 2012 and \$ 198,338 for 2011.

Note 6 - Deposits and Investments

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

EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Note 6 - Deposits and Investments

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

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

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

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

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

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

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 6 - Deposits and Investments (Continued)

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investment to the Fiscal Officer 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, the Library had \$ 300 in undeposited cash in each year 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: Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the Library will not be able to recover deposits or collateral securities that are in possession of an outside party. At December 31, 2012, \$ 1,265,161 of the Library's bank balance of \$ 3,265,161 was uninsured and uncollateralized. At December 31, 2011, \$ 1,874,207 of the Library's bank balance of \$ 4,157,149 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit 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. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2012 and 2011, the Library had investments of \$2,516,927 and \$1,501,927 in STAR Ohio, the State Treasurer's Investment Pool. The investment with STAR Ohio has an average maturity of 55.4 days in 2012 and 57 days in 2011.

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

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

Note 7 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Ohio School District. Property tax revenue received during the year for real and public utility property taxes represents the collections of the prior year taxes.

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

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 7 - Property Taxes (Continued)

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

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

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

Real Property	\$ 731,293,280
Public Utility Property	<u>15,476,470</u>
Total Assessed Value	<u>\$ 746,769,750</u>

The full tax rate for all Library operations for the year ended December 31, 2011 was \$ 4.00 per \$ 1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Real Property	\$ 722,667,290
Public Utility Property	<u>16,043,950</u>
Total Assessed Value	<u>\$ 738,711,240</u>

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

Note 8 - Risk Management

The Library 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 contracted with companies for various types of insurance coverage as follows:

In 2012, the Library's coverage was as follows:

Company	Type of Coverage	Amount of Coverage
Ohio Plan Risk Management	Commercial Property	\$ 8,195,452
	General Liability	\$ 2,000,000/\$ 4,000,000
	Valuable Papers/Library	
	Materials	\$ 6,515,000
	Automobile	\$ 2,000,000
	Errors and Omissions	\$ 2,000,000/\$ 4,000,000
	Inland Marine	\$ 450,000
Travelers Insurance Co.	Crime	\$ 10,000
	Library Officials	\$ 50,000 each
	Fiscal officer Bond	\$ 50,000

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 8 - Risk Management (Continued)

In 2011, the Library's coverage was as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Ohio Plan Risk Management	Commercial Property	\$ 7,956,750
	General Liability	\$ 2,000,000/\$ 4,000,000
	Valuable Papers/Library	
	Materials	\$ 6,326,000
	Automobile	\$ 2,000,000
	Errors and Omissions	\$ 2,000,000/\$ 4,000,000
	Inland Marine	\$ 450,000
Travelers Insurance Co.	Crime	\$ 10,000
	Library Officials	\$ 50,000 each
	Fiscal Officer 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 year.

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

Note 9 - Defined Benefit Pension Plan

Plan Description The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy The Ohio Revised code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2012 and 2011, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012 and 2011, member and employer contribution rates were consistent across all three plans.

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 9 - Defined Benefit Pension Plan (Continued)

The Library's 2012 and 2011 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.00 percent for 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012 and 2011. Employer contributions rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$ 232,671, \$ 230,662, and \$ 204,792, respectively. The full amount has been contributed for 2012, 2011 and 2010. Contributions to the Member-Directed plan for 2012 were \$ 11,720 made by Library and \$ 8,372 made by plan members. Contributions to the Member-Directed plan for 2011 were \$ 4,850 made by Library and \$ 3,464 made by plan members.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare B premium reimbursement.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Fund Policy – the post-employment health care plan is established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012 and 2011.

**EUCLID PUBLIC LIBRARY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Note 10 - Postemployment Benefits (Continued)

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

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$ 93,068, \$ 92,265, and \$ 116,750, respectively. The full amount has been contributed for 2012, 2011, and 2010.

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 enforcement and public safety employers increased over a six year period beginning 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.

Note 11 – Related Organizations

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

The Library has the following affiliate organization for which it is not accountable:

Friends of The Euclid Public Library

Euclid Public Library Foundation

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

Euclid Public Library
Cuyahoga County
631 East 222nd Street
Euclid, OH 44123

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Governing Auditing Standards*, the financial statements of the governmental activities and each major fund of the Euclid Public Library, Cuyahoga County, Ohio (the Library) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 24, 2013, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles, wherein we noted that in 2011, the Library adopted Governmental Accounting Standards board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Internal Control Over Financial Reporting

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

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

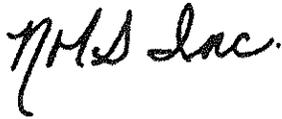
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did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

Compliance and Other Matters

As part of reasonably assuming 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, opining on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

Purpose Of This Report

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

A handwritten signature in black ink, appearing to read "NMS Inc.", is positioned above the date and location text.

Mentor, Ohio
June 24, 2013

EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Construction Contracts did not have prevailing wage language	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

EUCLID 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
AUGUST 29, 2013**