



Dave Yost • Auditor of State



**CUYAHOGA ARTS & CULTURE  
CUYAHOGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Governmental Activities .....	8
Statement of Activities – Governmental Activities .....	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	10
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities .....	11
Statement of Revenues, Expenditures and Changes in Governmental Fund Balance.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Fund Balance to the Statement of Activities .....	13
Notes to the Basic Financial Statements .....	15
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	29
Note to the Supplemental Information .....	30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	31

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Cuyahoga Arts & Culture  
Cuyahoga County  
Bulkley Building, Suite 407  
1501 Euclid Avenue  
Cleveland, Ohio 44115

To the Board of Trustees:

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

We have audited the accompanying financial statements of the governmental activities, and the general fund of Cuyahoga Arts & Culture, Cuyahoga County, Ohio, (CAC) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the CAC's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the CAC'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 CAC'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 financial position of the governmental activities and the general fund of Cuyahoga Arts & Culture, Cuyahoga County, Ohio, as of December 31, 2014 and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on CAC's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual present additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2015, on our consideration of the CAC'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 CAC's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 15, 2015

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

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The discussion and analysis of Cuyahoga Arts & Culture (CAC) financial performance provides an overall review of CAC's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at CAC's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of CAC's financial performance.

### **Financial Highlights**

Key Financial highlights for 2014 are as follows:

- Cuyahoga Arts & Culture has completed its eighth year of operations with a decrease in net position from the prior year. This decrease was planned for in the Board approved budget. Cigarette tax collections decreased again in 2014; reduced expenditures resulted in a smaller than planned decrease in net position.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand CAC as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of CAC, presenting both an aggregate and a longer-term view of those finances. The Statement of Activities shows a net (expense) revenue and changes to net position related to each department of CAC. Fund financial statements tell how services were financed in the short-term as well as what dollars remain for future spending.

### **Reporting on the Cuyahoga Arts & Culture as a Whole**

#### *Statement of Net Position and the Statement of Activities*

The Statement of Net Position and Statement of Activities include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report CAC's net position and the changes in that position. The change in net position is important because it tells the reader whether, for CAC as a whole, the financial position of CAC has improved or diminished.

All of CAC's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consist of functions that are principally supported by excise tax revenues. Activities include arts and cultural grantmaking and administration.

### **Reporting on the Most Significant Fund**

#### *Governmental Fund*

The presentation for CAC's only fund, the general fund, focuses on how resources flow into and out of it and the balance that is left at year end and available for spending in future periods. The general fund is reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term

## Cuyahoga Arts & Culture, Cuyahoga County

*Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

*Unaudited*

view of CAC's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our users. The relationship (or difference) between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and the general fund is reconciled in the financial statements.

### Cuyahoga Arts & Culture as a Whole

Recall that the Statement of Net Position looks at CAC as a whole. Table 1 provides a summary of CAC's net position for 2014 as compared to 2013.

**Table 1**  
**Net Position**

	2014	2013	Change
<b>Assets</b>			
Current and Other Assets	\$23,965,482	\$24,974,354	(\$1,008,872)
Depreciable Capital Assets, Net	13,684	19,814	(6,130)
<i>Total Assets</i>	<u>23,979,166</u>	<u>24,994,168</u>	<u>(1,015,002)</u>
<b>Liabilities</b>			
Current and Other Liabilities	1,889,515	1,682,123	(207,392)
Long-Term Liabilities:			
Due Within One Year	2,066	2,979	913
Due in More than One Year	12,253	17,338	5,085
<i>Total Liabilities</i>	<u>1,903,834</u>	<u>1,702,440</u>	<u>(201,394)</u>
<b>Net Position</b>			
Investment in Capital Assets	13,684	19,814	(6,130)
Unrestricted	22,061,648	23,271,914	(1,210,266)
<i>Net Position</i>	<u>\$22,075,332</u>	<u>\$23,291,728</u>	<u>(\$1,216,396)</u>

Unrestricted net position is primarily attributed to the collection of the County levied cigarette tax on the sale of cigarettes. At the election held on November 7, 2006, the electors in the County approved the levy of a tax on the sale of cigarettes at wholesale at the rate of 15 mills per cigarette (amounting to 1-1/2 cents per cigarette) for a period of ten years beginning February 1, 2007. The tax is collected at the wholesale level by the Excise and Motor Fuel Tax Division of the Ohio Department of Taxation. Tax revenues are remitted monthly to CAC.

Total assets decreased primarily due to a planned decrease in cash on hand, and cigarette tax receivable, as the result of decreased cigarette taxes.

Total liabilities increased during 2014 due to an increase in intergovernmental payables as a result of increased grant disbursements owed at the end of the year.

## Cuyahoga Arts & Culture, Cuyahoga County

Management's Discussion and Analysis

For the Year Ended December 31, 2014

Unaudited

Table 2 shows the changes in net position for the years ended December 31, 2014 as compared to 2013.

**Table 2**  
**Changes in Net Position**

	2014	2013	Change
<b>Revenues</b>			
General Revenue			
Cigarette Tax	\$15,984,716	\$16,719,606	(\$734,890)
Intergovernmental Revenue	33,590	36,448	(2,858)
Investment Earnings	67,416	62,376	5,040
<i>Total Revenues</i>	<u>16,085,722</u>	<u>16,818,430</u>	<u>(732,708)</u>
<b>Program Expenses</b>			
Arts and Culture Grantmaking	16,806,751	16,740,336	(66,415)
General Government	495,367	543,851	48,484
<i>Total Program Expenses</i>	<u>17,302,118</u>	<u>17,284,187</u>	<u>(17,931)</u>
<i>Change in Net Position</i>	<u>(1,216,396)</u>	<u>(465,757)</u>	<u>(750,639)</u>
<i>Net Position Beginning of Year</i>	<u>23,291,728</u>	<u>23,757,485</u>	<u>(465,757)</u>
<i>Net Position End of Year</i>	<u>\$22,075,332</u>	<u>\$23,291,728</u>	<u>(\$1,216,396)</u>

The main revenue for CAC is the collection of the County levied cigarette tax. Collections have declined consistently since the creation of CAC. The purpose of the cigarette tax is to support the operating or capital needs of arts or cultural organizations located in the County. During 2014 cigarette tax revenue decreased by \$734,890 from 2013.

Expenses are primarily for the operations associated with the making of grants to area arts or cultural organizations. Expenses for arts and culture grantmaking increased slightly, relative to the continuing decrease in cigarette tax collections.

### Cuyahoga Arts & Culture Fund

Information about CAC's governmental fund begins on page 10. This fund is accounted for using the modified accrual basis of accounting. CAC had governmental revenues of \$16,085,722 and expenditures of \$17,301,986. Revenues are primarily attributable to levied County cigarette tax dollars which are tax revenues to Cuyahoga Arts & Culture. The decrease in fund balance is due to a decrease in cigarette sales and therefore tax collections.

### Budgeting Highlights

Although CAC is not legally required to file a budget, the Board of Trustees does appropriate funds annually. The general fund is monitored closely looking for possible revenue shortfalls or any over spending.

Actual revenues for the general fund were lower than original and final budgeted revenues due to a decrease in the year-over-year decline of the cigarette tax collections. Actual expenditures were less than the original and final budget expenditures due to constant monitoring of expenditures throughout the year to remain below the budgeted amounts.

**Cuyahoga Arts & Culture, Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*Unaudited*

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**Capital Assets**

Table 3 shows the changes in capital assets for the year ended December 31, 2014 and 2013.

**Table 3**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	2014	2013	Change
Furniture and Equipment	\$8,686	\$13,537	(\$4,851)
Software	4,998	6,277	(1,279)
<i>Totals</i>	\$13,684	\$19,814	(\$6,130)

Capital assets decreased due to depreciation exceeding capital additions. During 2014, new office equipment was purchased. See Note 7 of the basic financial statements for additional information on capital assets.

**Current Financial Related Activities**

CAC is governed by a five member Board of Trustees, which is appointed by the Cuyahoga County Executive.

**Contacting the Cuyahoga Arts & Culture Fiscal Office**

This financial report is designed to provide our citizenry with the general overview of CAC's finances and show CAC's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information, contact Karen Gahl-Mills, Executive Director, Cuyahoga Arts & Culture, 1501 Euclid Avenue, Suite 407, Cleveland, Ohio 44115.

***BASIC FINANCIAL STATEMENTS***

**Cuyahoga Arts & Culture, Cuyahoga County**

*Statement of Net Position*

*December 31, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Investments	\$22,512,697
Cigarette Tax Receivable	1,447,874
Prepaid Items	4,911
Capital Assets, Net of Accumulated Depreciation	<u>13,684</u>
<i>Total Assets</i>	<u>23,979,166</u>
<b>Liabilities</b>	
Accounts Payable	2,044
Accrued Wages and Benefits	6,265
Intergovernmental Payable	1,881,206
Long-Term Liabilities:	
Due Within One Year	2,066
Due In More Than One Year	<u>12,253</u>
<i>Total Liabilities</i>	<u>1,903,834</u>
<b>Net Position</b>	
Investment in Capital Assets	13,684
Unrestricted	<u>22,061,648</u>
<i>Total Net Position</i>	<u><u>\$22,075,332</u></u>

See accompanying notes to the basic financial statements

## Cuyahoga Arts & Culture, Cuyahoga County

### Statement of Activities

For the Year Ended December 31, 2014

	Governmental Activities
<b>Expenses:</b>	
Arts & Culture Grantmaking:	
Personal Services	\$398,085
Contractual Services	16,401,672
Depreciation	6,994
	16,806,751
Total Arts & Culture Grantmaking	16,806,751
General Government:	
Personal Services	260,425
Materials and Supplies	59,659
Contractual Services	172,952
Depreciation	2,331
	495,367
Total General Government	495,367
<i>Total Program Expenses</i>	<i>17,302,118</i>
 <b>General Revenue:</b>	
Cigarette Tax	15,984,716
Intergovernmental Revenue	33,590
Interest	67,416
	16,085,722
<i>Total General Revenues</i>	<i>16,085,722</i>
<i>Decrease in Net Position</i>	<i>(1,216,396)</i>
<i>Net Position Beginning of Year</i>	<i>23,291,728</i>
<i>Net Position End of Year</i>	<i>\$22,075,332</i>

See accompanying notes to the basic financial statements

**Cuyahoga Arts & Culture, Cuyahoga County**

*Balance Sheet  
Governmental Fund  
December 31, 2014*

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	<u>General Fund</u>
<b>Assets</b>	
Cash and Investments	\$22,512,697
Cigarette Tax Receivable	1,447,874
Prepaid Items	<u>4,911</u>
<i>Total Assets</i>	<u><u>\$23,965,482</u></u>
<b>Liabilities</b>	
Accounts Payable	\$2,044
Accrued Wages	6,265
Intergovernmental Payable	<u>1,881,206</u>
<i>Total Liabilities</i>	<u>1,889,515</u>
<b>Fund Balance</b>	
Nonspendable	4,911
Unassigned	<u>22,071,056</u>
<i>Total Fund Balances</i>	<u>22,075,967</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$23,965,482</u></u>

See accompanying notes to the basic financial statements

**Cuyahoga Arts & Culture, Cuyahoga County**  
*Reconciliation of Total Governmental Fund Balance to  
Net Position of Governmental Activities  
December 31, 2014*

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**Total Governmental Fund Balance** \$22,075,967

*Amounts reported for governmental activities  
in the statement of net position are different because:*

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the funds. 13,684

Long-term liabilities, such as compensated absences,  
are not due and payable in the current period  
and therefore are not reported in the funds. (14,319)

*Net Position of Governmental Activities* \$22,075,332

See accompanying notes to the basic financial statements

**Cuyahoga Arts & Culture, Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes*  
*in Governmental Fund Balance*  
*For the Year Ended December 31, 2014*

	<u>General Fund</u>
<b>Revenues</b>	
Cigarette Tax	\$15,984,716
Intergovernmental Revenue	33,590
Interest	67,416
<i>Total Revenues</i>	<u>16,085,722</u>
<b>Expenditures</b>	
Current:	
Arts & Culture Grantmaking:	
Personal Services	404,641
Contractual Services	16,401,672
Total Arts & Culture Grantmaking	<u>16,806,313</u>
General Government:	
Personal Services	259,867
Materials and Supplies	59,659
Contractual Services	172,952
Total General Government	<u>492,478</u>
Capital Outlay	<u>3,195</u>
<i>Total Expenditures</i>	<u>17,301,986</u>
<i>Net Change in Fund Balance</i>	(1,216,264)
<i>Fund Balance Beginning of Year</i>	<u>23,292,231</u>
<i>Fund Balance End of Year</i>	<u>\$22,075,967</u>

See accompanying notes to the basic financial statements

**Cuyahoga Arts & Culture, Cuyahoga County**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Governmental Fund Balance  
to the Statement of Activities  
For the Year Ended December 31, 2014*

**Net Change in Fund Balances - Total Governmental Fund** (\$1,216,264)

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation expense.  
This is the amount by which depreciation exceeded capital outlay  
in the current period.

Capital Asset Additions	3,195	
Depreciation	(9,325)	
Total		(6,130)

Some expenses reported in the statement of activities, such as  
compensated absences, do not require the use of current  
financial resources and therefore are not reported as  
expenditures in governmental funds.

5,998

*Change in Net Position of Governmental Activities* (\$1,216,396)

See accompanying notes to the basic financial statements

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## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### **Note 1 - Reporting Entity and Basis of Presentation**

Cuyahoga Arts & Culture (CAC) is a political subdivision of the State and a body corporate, established June 16, 2005, by the Cuyahoga County Commissioners, under the authority of Section 3381.04, Ohio Revised Code.

CAC's governing body is a five member Board of Trustees (the Trustees), who are appointed by the Cuyahoga County Executive. Trustees serve staggered three year terms. Trustees serve on staggered terms from the date of their appointment by the Cuyahoga County Executive and until their replacement has been appointed. CAC is classified as a related organization of Cuyahoga County.

CAC is dedicated to making grants to support the operating or capital expenses of arts and culture organizations located within the County, or acquiring, constructing, equipping, furnishing, repairing, remodeling, renovating, enlarging, improving, or administering artistic or cultural facilities. These activities are directly controlled by the Trustees through the budgetary process and are included within this report.

In evaluating how to define CAC for financial reporting purposes, management has considered all agencies, departments and organizations making up Cuyahoga Arts & Culture and its potential component units consistent with GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement 61 "The Financial Reporting Entity: Omnibus an amendment to GASB Statements No. 14 and No. 34"

Component units are legally separate organizations for which CAC is financially accountable. CAC is financially accountable for an organization if CAC appoints a voting majority of the organization's governing board and (1) CAC is able to significantly influence the programs or services performed or provided by the organization; or (2) CAC is legally entitled to or can otherwise access the organization's resources; CAC is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization or CAC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on CAC in that CAC approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. CAC has no component units.

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

The financial statements of CAC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the CAC's accounting policies are described below.

#### ***Basis of Presentation***

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

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about CAC as a whole.

The statement of net position presents the financial condition of the governmental activities of CAC at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of CAC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of CAC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of CAC.

### Fund Financial Statements

During the year, CAC accounts for its financial activities in a single governmental fund. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. CAC's only governmental fund is the general fund which accounts for all financial resources. The general fund balance is available to CAC for any purpose provided it is expended according to the general laws of Ohio.

### ***Measurement Focus***

#### Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of CAC are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

#### Fund Financial Statements

The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

### ***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Differences in the accrual and

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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modified accrual basis of accounting arise in the recognition of revenue, and in the presentation of expenses versus expenditures.

### Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For CAC, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which CAC receives value without directly giving equal value in return, include grants. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which CAC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to CAC on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue source is considered to be both measurable and available at year-end: cigarette tax.

### Expenses/Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### ***Cash and Cash Equivalents***

During 2014, CAC's investments were limited to federal home loan bank notes, federal national mortgage association notes, U.S. Treasury notes, federal home loan mortgage corporation notes, federal farm credit bank notes and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office. STAR Ohio 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 share asset value per share which is the price the investment could be sold for on December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund amounted to \$67,416 during 2014.

**Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Capital Assets***

CAC's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the general fund. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the financial statements of the general fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The CAC maintains a capitalization threshold of two thousand dollars for furniture and equipment and software.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Furniture and Equipment	5 - 7 years
Software	5 years

***Accrued Liabilities***

All payables and accrued liabilities are reported in the government-wide financial statements.

Governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the fund.

***Compensated Absences***

Exempt and non-exempt staff are eligible for paid time off (PTO). Full-time and part-time staff are granted 25 days or more based on years of service, on a pro-rated basis, per year at the beginning of the calendar year. PTO accruals are pro-rated by the month of employment for people joining CAC during the fiscal year. In the event of separation, employees are paid their accrued PTO in their last paycheck, if they provide a written notice prior to separation. Current year accruals are paid out at the rate of 50 percent if employment terminates between January 1 and June 30 and at 100 percent thereafter.

If an employee does not use their PTO time in a given year, they will lose all but the equivalent of two week's time (10 days) unless the Executive Director approves additional carryover.

Full and part-time staff are granted three sick days per year. Sick days may not be carried over, accrued or paid out if unused within the calendar year.

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### ***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which CAC 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 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.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by CAC for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by CAC Trustees or a CAC official delegated that authority by formal action, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

CAC 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.

### ***Net Position***

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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.

### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### ***Budgetary Process***

CAC is not required under State statute to file budgetary information with the County Fiscal Officer. However, CAC does follow the budgetary process for control purposes. The Trustee's set limits on expenditures plus encumbrances at the program level.

The Executive Director reviews the prior year's revenues and factors in the wages expected to be charged and the intergovernmental revenue anticipated to be received in order to determine the estimated resources for the current year. The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Executive Director. The amounts reported as the original budgeted amounts in the budgetary schedules reflect amounts of the estimated resources approved by the Trustees when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedules reflect the amounts of the estimated resources that were in effect at the time the final appropriations were passed by the Trustees.

### **Note 3 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which CAC is bound to observe constraints imposed upon the use of the resources in the government funds. At year end, \$4,911 was nonspendable to prepaid assets in the general fund and the remaining of \$22,071,056 was unassigned for a total general fund balance of \$22,075,967.

### **Note 4 - Deposits and Investments**

CAC has chosen to follow State statutes and classify monies held by CAC into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demand. Active monies must be maintained either as cash in the treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of CAC's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Executive Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by CAC, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, Bonds, 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, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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;

## **Cuyahoga Arts & Culture, Cuyahoga County**

### *Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposits 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 (1) or (2) above and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which CAC lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of CAC's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase.
10. Fifteen percent of CAC's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase.
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper.
12. One percent of CAC's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of CAC. Investments must be

## Cuyahoga Arts & Culture, Cuyahoga County

Notes To The Basic Financial Statements

For The Year Ended December 31, 2014

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

### Investments

Investments are reported at fair value. As of December 31, 2014, the CAC had the following investments:

Investment Type	Fair Value	Maturity	Standard and Poor's Rating	Percentage of Total Investments
Federal Home Loan Bank Notes	\$3,399,386	Less than three years	AA+	25.99 %
Federal National Mortgage Association Notes	4,930,323	Less than three years	AA+	37.70
US Treasury Note	599,952	Less than one year	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	2,956,275	Less than three years	AA+	22.60
Federal Farm Credit Bank Notes	1,193,276	Less than two years	AA+	9.12
STAR Ohio	1,012,760	51.4 Days	AAAm	N/A
Total Investments	<u>\$14,091,972</u>			

**Credit Risk.** The Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, U.S. Treasury Note, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, and STAR Ohio all carry the credit rating noted above by Standard and Poor's. CAC has no investment policy that addresses credit risk.

**Interest Rate Risk.** CAC 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 CAC, and that an investment must be purchased with the expectation that it will be held to maturity.

**Concentration of Credit Risk.** CAC places no limit on the amount it may invest in any one issuer.

### Note 5 – Public Funding

At the election held on November 7, 2006, the electors in Cuyahoga County approved the levy of a tax on the sale of cigarettes at wholesale at the rate of 15 mills per cigarette (amounting to 1-1/2 cents per cigarette) for a period of ten years, beginning February 1, 2007, for the purpose of making grants to support the operating or capital expenses of arts and cultural organizations located in Cuyahoga County, to defray the costs of acquiring, constructing, equipping, furnishing, improving, enlarging, renovating, remodeling, or maintaining an artistic or cultural facility, and to meet the operating expenses of CAC. This is a County tax authorized by Section 5743.021, Ohio Revised Code. The expenditures of the collections from the tax are limited by Section 3381.17, Ohio Revised Code, as follows:

1. The tax must be expended for the purpose of making annual grants to support operating or capital expenses of arts or culture organizations located within the County as the Board of Trustees shall determine;

## Cuyahoga Arts & Culture, Cuyahoga County

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

2. Not more than ten percent of the amount granted in any calendar year from the tax is permitted to be granted to arts or culture organizations that are not qualifying arts or cultural organizations;
3. Prior to making grants in any calendar year, the Board of Trustees shall afford an opportunity for the presentation, either in person or in writing, of the suggestions of the Area Arts Council;
4. Any grant to an arts and cultural organization shall be on such terms and conditions as the Board of Trustees considers advisable.

The purpose of the cigarette tax is to make grants to qualifying arts or cultural organizations in accordance with the investment models prepared by the Trustees and to provide funds to support the operations of CAC. Use of the cigarette tax collections for purposes not included in the investment models may be authorized by the Board of Trustees, to the extent permitted by Ohio Revised Code, Chapter 3381, following a public hearing held not earlier than 30 days following the mailing of notice of the hearing and a description of the proposed use to the County Council, the Area Arts Council and any committee established by the Board of Trustees to advise on grant making matters.

### Note 6 - Receivables

Receivables at December 31, 2014 consisted of a cigarette tax receivable of \$1,447,874. The receivable is considered fully collectible and will be received within one year. The cigarette tax receivable represents the proceeds from the County excise tax on the sale of cigarettes. This money is collected and distributed to the County by the State and then to CAC.

### Note 7 - Capital Assets

A summary of changes in capital assets during 2014 follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<b>Governmental Activities</b>				
<b>Depreciable Capital Assets</b>				
Furniture and Equipment	\$55,464	\$3,195	(\$1,416)	\$57,243
Software	20,244	0	0	20,244
<i>Total Capital Assets, Being Depreciated</i>	<u>75,708</u>	<u>3,195</u>	<u>(1,416)</u>	<u>77,487</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(41,927)	(8,046)	1,416	(48,557)
Software	(13,967)	(1,279)	0	(15,246)
<i>Total Accumulated Depreciation</i>	<u>(55,894)</u>	<u>(9,325)</u>	<u>1,416</u>	<u>(63,803)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>\$19,814</u>	<u>(\$6,130)</u>	<u>\$0</u>	<u>\$13,684</u>

Depreciation expense for 2014 was charged to arts and culture grantmaking \$6,994 and general government \$2,331.

**Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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**Note 8 - Risk Management**

CAC 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 2014, CAC contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Hartford Fire and Casualty	General Liability	\$4,000,000
	Automobile Liability	2,000,000
	Employers Liability	500,000
	Accounts Receivable	25,000
	Property	20,000
	Data Processing Equipment	10,000
	Employee Dishonesty	10,000
Chubb Insurance	Directors and Officers	1,000,000
Ohio Casualty Insurance	Employee Dishonesty Bond	100,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Workers' compensation coverage is provided by the State. CAC 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.

**Note 9 - Defined Benefit Pension Plan**

Plan Description - CAC participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to 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 and survivor benefits and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2014, members in state and local classifications contributed 10.0 percent of covered payroll.

CAC's contribution rate for 2014 was 14.0 percent. The portion of employer contributions allocated to health care for members in the traditional plan was 2.0 percent during calendar year 2014. The portion of employer contributions allocated to health care for members in the combined plan was 2.0 percent during calendar year 2014. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for CAC of 14.0 percent.

CAC's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013 and 2012 were \$66,474, \$67,392 and \$44,364, respectively. The full amount has been contributed for 2014, 2013 and 2012. Contributions to the member-directed plan for 2014 were \$31,307 made by CAC and \$22,362 made by the plan members.

### **Note 10 - Postemployment Benefits**

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, 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>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, local government employers contributed at a rate of 14.0 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 post-employment health care benefits. For 2014, the portion of the employer contributions allocated to fund post-employment health care was 2.0 percent for the traditional plan and 2.0 percent for the combined plan.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

CAC's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013 and 2012 were \$11,079, \$5,184 and \$17,745, respectively. The full amount has been contributed for 2014, 2013 and 2012.

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

**Note 11 – Other Employee Benefits**

**Compensated Absences**

The criteria for determining paid time off (PTO) liabilities are derived from the compensation policies set by the Board of Trustees. Full-time and part-time staff is granted 25 days or more based on years of service, on a pro-rated basis, per year at the beginning of the calendar year. PTO accruals are pro-rated by the month of employment for people joining CAC during the fiscal year. In the event of separation, employees are paid their accrued PTO in their last paycheck, if they provide written notice to CAC. Current year accruals are paid out at the rate of 50 percent if employment terminates between January 1 and June 30 and at 100 percent thereafter.

If an employee does not use their PTO time in a given year, they will lose all but the equivalent of two week's time (10 days) unless the Executive Director approves additional carryover.

The table below list the amount of PTO based on years of service:

Full Years of Service	Paid Time Off Annual Accumulation
0 - 5 years	25 Days
6 - 15 years	30 Days
15 or more years	35 Days

Full-time and part-time staff are granted three paid sick days per year at the beginning of the calendar year. Sick days may not be carried over, accrued or paid out if unused within the calendar year.

The changes in CAC's compensated absences during 2014 were as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014	Due in One Year
Compensated Absences	\$20,317	\$57,515	\$63,513	\$14,319	\$2,066

## **Cuyahoga Arts & Culture, Cuyahoga County**

*Notes To The Basic Financial Statements*

*For The Year Ended December 31, 2014*

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### **Medical, Prescription Drug and Dental Insurance**

CAC provides medical, prescription drug, vision and dental benefits to all full-time employees and to part-time employees working a minimum of 25 hours per week. Medical and prescription drug benefits are provided through Medical Mutual, vision benefits through VSP Vision and dental benefits through Aetna. Due to CAC's small group status, each employee and their dependents receives their own rating based on pre-specified age ranges. CAC's portion of the monthly medical and prescription drug premium ranges from \$170 to \$1,191 and \$38 to \$112 for the monthly dental premium. The vision premium, fully paid by CAC, is \$6.32 per member. CAC employees contribute a portion of the premium for the medical, prescription and dental plans.

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**Supplemental Information**

**Cuyahoga Arts & Culture, Cuyahoga County**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Cigarette Tax	\$16,200,000	\$16,200,000	\$16,013,206	(\$186,794)
Intergovernmental Revenue	0	0	33,590	33,590
Interest	80,000	80,000	95,753	15,753
<i>Total Revenues</i>	<u>16,280,000</u>	<u>16,280,000</u>	<u>16,142,549</u>	<u>(137,451)</u>
<b>Expenditures</b>				
Current:				
Arts & Culture Grantmaking:				
Personal Services	450,736	450,736	421,114	29,622
Contractual Services	16,501,669	16,501,669	16,161,534	340,135
Total Arts & Culture Grantmaking	<u>16,952,405</u>	<u>16,952,405</u>	<u>16,582,648</u>	<u>369,757</u>
General Government:				
Personal Services	264,404	264,404	262,846	1,558
Materials and Supplies	94,935	94,935	59,721	35,214
Contractual Services	216,800	216,800	184,968	31,832
Total General Government	<u>576,139</u>	<u>576,139</u>	<u>507,535</u>	<u>68,604</u>
Capital Outlay	<u>13,200</u>	<u>13,200</u>	<u>3,195</u>	<u>10,005</u>
<i>Total Expenditures</i>	<u>17,541,744</u>	<u>17,541,744</u>	<u>17,093,378</u>	<u>448,366</u>
<i>Net Change in Fund Balance</i>	(1,261,744)	(1,261,744)	(950,829)	310,915
<i>Fund Balance Beginning of Year</i>	<u>23,478,192</u>	<u>23,478,192</u>	<u>23,478,192</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$22,216,448</u>	<u>\$22,216,448</u>	<u>\$22,527,363</u>	<u>\$310,915</u>

See accompanying notes to the supplemental information

**Cuyahoga Arts & Culture, Cuyahoga County**

*Note To The Supplemental Information  
For The Year Ended December 31, 2014*

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**Note 1 – Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, general fund, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Investments are reported at cost (budget) rather than fair value (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$1,216,264)
Net Adjustment for Revenue Accruals	40,552
Beginning Fair Value Adjustment for Investments	1,609
Ending Fair Value Adjustment for Investments	14,666
Net Adjustment for Expenditure Accruals	<u>208,608</u>
Budget Basis	<u><u>(\$950,829)</u></u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Cuyahoga Arts & Culture  
Cuyahoga County  
Bulkley Building, Suite 407  
1501 Euclid Avenue  
Cleveland, Ohio 44115

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' *Government Auditing Standards*, the financial statements of the of the governmental activities, and the general fund of Cuyahoga Arts & Culture, Cuyahoga County, Ohio, (CAC) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise CAC's basic financial statements and have issued our report thereon dated April 15, 2015.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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  
Columbus, Ohio

April 15, 2015



# Dave Yost • Auditor of State

**CUYAHOGA ART ANC CULTURE**

**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  
MAY 7, 2015**