



Dave Yost • Auditor of State



**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Willoughby-Eastlake Public Library  
Lake County  
263 E. 305<sup>th</sup> St.  
Willowick, Ohio 44095

To the Board of Trustees:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio (the Library), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Library'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 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 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 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, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio, as of December 31, 2014 and 2013, 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-8 of the report, and accordingly, 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 October 2, 2015, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



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

October 2, 2015

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014 AND 2013  
(Unaudited)

This discussion and analysis of the Willoughby-Eastlake Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2014 and December 31, 2013, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statement and notes to enhance their understanding of the Library's financial performance.

## **HIGHLIGHTS**

Key highlights for 2014 and 2013 are as follows:

The Library's general receipts are primarily the Public Library Fund (PLF) and Property Taxes. These receipts represent respectively, 34% and 56% of the total cash received for governmental activities during the year of 2014 and 33% and 55% for 2013.

In the State Fiscal Year 2012 and 2013, the Public Library Fund was frozen at 2010 levels, and then cut 5%. On June 30, 2013 the PLF percentage was reset to 1.66% of the general revenue fund resulting in a nearly 4% reduction of revenue in 2014.

The Library began a Facilities Assessment in December 2012, with the Board of Trustees approving the Facilities Assessment and Maintenance Master Plan in January 2013, which addressed the aging of the furniture, carpeting, HVAC, roof and other building related items.

The Library ratified with the Service Employees International Union District 1199 a Collective Bargaining Agreement effective January 1, 2013 expiring December 31, 2015.

The Library experienced three significant floods in 2013 on June 13, July 20 and July 23. Following the July 23<sup>rd</sup> flood the Technical Services, Interlibrary Loan, Public Relations, Technology and Administration departments were moved out of the lower level of the Willowick Public Library. A temporary room was constructed on the upper level of the Willowick Public Library for the Technical Services and Interlibrary Loan departments and the Board approved the lease of office space for two (2) years for the Public Relations, Technology and Administration departments, commencing September 1, 2013.

In 2014, Runyon Roofing replaced all or some of the roofs at the Eastlake, Willoughby and Willowick libraries. Otis Elevator refurbished the elevator and Renewal by Anderson replaced exterior windows at the Willoughby library. The parking lot at the Eastlake Library was repaired and resurfaced and extensive landscape was done at Eastlake, Willoughby and Willowick including the removal of dead or dying trees. Due to the flooding at Willowick, the Board contracted with HBM Architects for a solution to the problem. A new server for the VOIP telephone system was installed, security camera system for Eastlake, Willoughby and Willowick libraries, Early Literacy Stations at Eastlake and Willowick, self-check stations, Overdrive Media Stations were all purchased.

In 2013, a 2013 Ford E-250 Commercial Cargo van was purchased for \$21,110 for the delivery of library materials to each building and AED equipment including electrodes for adult and pediatric for three buildings and replaced exterior steps at the Willoughby Library.

### **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.

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014 AND 2013  
(Unaudited)

**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 funds with the largest balances or most activity in separate columns.

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting, 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 Government as a Whole**

The Statement of Net Position and Statement of Activities reflect how the Library did financially during 2014 and 2013, within the limitations of cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental and activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services 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 general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Position and the Statement of Activities, we describe the Library's activities in the following way:

Governmental activities - All of the Library's basic services are reported here, State grants, PLF and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014 AND 2013  
(Unaudited)

**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.

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

Table 1 provides a summary of the Library's net position for 2014 compared to 2013 and 2012 on a cash basis:

(Table 1) Net Position  
Governmental Activities

<b>Assets</b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Equity in Pooled Cash and Cash Equivalents	\$5,235,137	\$ 5,484,639	\$4,932,128
Cash and Cash Equivalents in Segregated Accounts	35,233	35,233	
Investments			400,000
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u><u>\$5,270,370</u></u>	<u><u>\$5,519,872</u></u>	<u><u>\$5,332,128</u></u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$2,158,177	\$1,066,596	\$698,102
Permanent Fund Purpose:			
Nonexpendable	16,990	16,988	16,987
Grant			(295)
Other Purposes	35,233	35,233	
Unrestricted	<hr/>	<hr/>	<hr/>
	3,059,970	4,401,055	4,617,334
	<hr/>	<hr/>	<hr/>
<i>Total Net Position</i>	<u><u>\$5,270,370</u></u>	<u><u>\$5,519,872</u></u>	<u><u>\$5,332,128</u></u>

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014 AND 2013  
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Table 2 reflects the changes in net position in 2014, 2013 and 2012:

	(Table 2) Changes in Net Position		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Receipts:</b>			
<i><b>Program Receipts</b></i>			
Charges for Services and Sales	\$107,159	\$116,292	\$119,348
<i><b>General Receipts</b></i>			
Property and Other Local Taxes	2,829,831	2,879,929	3,205,120
Public Library	1,693,901	1,732,095	1,691,593
Intergovernmental	384,341	383,477	437,400
Contributions, Gifts and Donations	9,438	6,186	32,182
Earnings on Investments	16,636	19,807	12,847
Miscellaneous	43,888	126,144	31,198
<i>Total General Receipts</i>	<u>4,978,035</u>	<u>5,147,638</u>	<u>5,410,340</u>
<i>Total Receipts</i>	<u>5,085,194</u>	<u>5,263,930</u>	<u>5,529,688</u>
<b>Disbursements:</b>			
Current:			
Library Services:			
Public Services and Programs	1,796,272	1,706,810	1,659,515
Collection Development and Processing	1,404,195	1,334,344	1,198,203
Support Services:			
Facilities Operation and Maintenance	430,475	409,028	427,837
Information Services	84,332	86,781	73,996
Business Administration	1,219,262	1,290,814	1,165,044
Capital Outlay	400,160	248,409	84,878
<i>Total Disbursements</i>	<u>5,334,696</u>	<u>5,076,186</u>	<u>4,609,677</u>
Net Change in Net Position	(249,502)	187,744	920,011
Net Position Beginning of Year	<u>5,519,872</u>	<u>5,332,128</u>	<u>4,412,117</u>
Net Position End of Year	<u><u>\$5,270,370</u></u>	<u><u>\$5,519,872</u></u>	<u><u>\$5,332,128</u></u>

**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 column of the Statement, entitled Program Cash

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Unaudited)

Receipts, identifies 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**

	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Total Cost</u>	<u>Net Cost of</u>	<u>Total Cost</u>	<u>Net Cost of</u>	<u>Total Cost</u>	<u>Net Cost of</u>
	<u>of Services</u>	<u>Services</u>	<u>of Services</u>	<u>Services</u>	<u>of Services</u>	<u>Services</u>
<b>Disbursements</b>						
Library Services:						
Public Services and Programs	\$1,796,272	\$1,689,113	\$1,706,810	\$1,590,518	\$1,659,515	\$1,662,021
Collection Development and Processing	1,404,195	1,404,195	1,334,344	1,334,344	1,198,407	1,199,529
Support Services:						
Facilities Operation and Maintenance	430,475	430,475	409,028	409,028	427,837	427,837
Information Services	84,332	84,332	86,781	86,781	73,996	73,996
Business Administration	1,219,262	1,219,262	1,290,814	1,290,814	1,268,472	1,268,472
Capital Outlay	<u>400,160</u>	<u>400,160</u>	<u>248,409</u>	<u>248,409</u>	<u>84,879</u>	<u>86,741</u>
<b>Total Disbursements</b>	<u>\$5,334,696</u>	<u>\$5,227,537</u>	<u>\$5,076,186</u>	<u>\$4,959,894</u>	<u>\$4,713,106</u>	<u>\$4,718,595</u>

**The Library's Funds**

In 2014, total Library governmental funds had receipts of \$6,460,194 and disbursements of \$6,709,696 including transfers. The greatest change within governmental funds occurred within the General Fund. General Fund disbursements of \$6,425,433 exceeded the receipts of \$5,084,349 resulting in a decrease of the General Fund of \$1,341,084.

In 2013, total Library governmental funds had receipts of \$5,836,163 and disbursements of \$5,648,419 including transfers. The greatest changes within governmental funds occurred within the General Fund and Capital Projects Fund. General Fund disbursements of \$5,478,664 exceeded the receipts of \$ 5,262,385 resulting in a decrease of the General Fund of \$216,279. The Capital Project Fund receipts and transfer of \$537,825 exceeded the expenditures of \$ 169,755 resulting in an increase of the Capital Project Fund of \$368,070.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During 2014 and 2013 amendments to the Library's General Fund budget were insignificant. Actual receipts were above the budget amount by 2.45% and 2.7%, respectively in 2014 and 2013. Final actual disbursements were 21.9% and 33.8% below the amount budgeted for 2014 and 2013.

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014 AND 2013  
(Unaudited)

**Debt Administration**

The Library leases buildings, vehicles and other equipment under non-cancelable leases. The Library disbursed \$45,744 to pay lease costs for the year ended December 31, 2014 and \$39,675 for the year ended December 31, 2013. Future lease payments remaining are \$19,976, all due in 2015.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The funding of the PLF will provide challenges in the coming years because of changes in the cash flow patterns and uncertainty with regard to growth.

**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 Victoria A. Simmons, Fiscal Officer, Willoughby-Eastlake Public Library, 263 East 305 Street, Willowick, Ohio 44095.

**Willoughby-Eastlake Public Library**  
*Statement of Net Position - Cash Basis*  
*December 31, 2014*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,235,137
Cash and Cash Equivalents in Segregated Accounts	<u>35,233</u>
<i>Total Assets</i>	<u><u>\$5,270,370</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$2,158,177
Permanent Fund Purpose:	
Nonexpendable	16,990
Other Purposes	35,233
Unrestricted	<u>3,059,970</u>
<i>Total Net Position</i>	<u><u>\$5,270,370</u></u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2014*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  Charges for Services and Sales	<u>Net (Disbursements) Receipts</u> <u>and Changes in Net Position</u>  Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public Services and Programs	1,796,272	107,159	(\$1,689,113)
Collection Development and Processing	1,404,195		(1,404,195)
Support Services:			
Facilities Operation and Maintenance	430,475		(430,475)
Information Services	84,332		(84,332)
Business Administration	1,219,262		(1,219,262)
Capital Outlay	400,160		(400,160)
<i>Total Governmental Activities</i>	<u>5,334,696</u>	<u>107,159</u>	<u>(5,227,537)</u>
General Receipts:			
Property Taxes Levied for General Purposes			2,829,831
Public Library Fund			1,693,901
Other Local Taxes			384,341
Unrestricted Gifts and Contributions			9,438
Earnings on Investments			16,636
Miscellaneous			43,888
<i>Total General Receipt</i>			<u>4,978,035</u>
Change in Net Position			(249,502)
<i>Net Position Beginning of Year</i>			<u>5,519,872</u>
<i>Net Position End of Year</i>			<u>\$5,270,370</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Assets and Fund Balances-Cash Basis*  
*Governmental Funds*  
*December 31, 2014*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,059,970	\$1,952,720	\$222,447	\$5,235,137
Cash and Cash Equivalents in Segregated Accounts			35,233	35,233
<i>Total Assets</i>	<u>\$3,059,970</u>	<u>\$1,952,720</u>	<u>\$257,680</u>	<u>\$5,270,370</u>
<b>Fund Balances</b>				
Nonspendable			\$7,500	\$7,500
Restricted			9,490	9,490
Committed	\$51,422	\$1,952,720	240,690	2,244,832
Assigned	65,151			65,151
Unassigned (Deficit)	2,943,397			2,943,397
<i>Total Fund Balances</i>	<u>\$3,059,970</u>	<u>\$1,952,720</u>	<u>\$257,680</u>	<u>\$5,270,370</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2014*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$2,829,831			\$2,829,831
Public Library	1,693,901			1,693,901
Intergovernmental	384,341			384,341
Patron Fines and Fees	107,159			107,159
Contributions, Gifts and Donations	9,438			9,438
Earnings on Investments	15,791	418	427	16,636
Miscellaneous	43,888			43,888
<i>Total Receipts</i>	<u>5,084,349</u>	<u>418</u>	<u>427</u>	<u>5,085,194</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,796,272			1,796,272
Collection Development and Processing	1,404,195			1,404,195
Support Services:				
Facilities Operation and Maintenance	430,475			430,475
Information Services	84,332			84,332
Business Administration	1,199,789	19,183	290	1,219,262
Capital Outlay	135,370	235,491	29,299	400,160
<i>Total Disbursements</i>	<u>5,050,433</u>	<u>254,674</u>	<u>29,589</u>	<u>5,334,696</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,916</u>	<u>(254,256)</u>	<u>(29,162)</u>	<u>(249,502)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		1,375,000		1,375,000
Transfers Out	(1,375,000)			(1,375,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,375,000)</u>	<u>1,375,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,341,084)	1,120,744	(29,162)	(249,502)
<i>Fund Balances Beginning of Year</i>	<u>4,401,054</u>	<u>831,976</u>	<u>286,842</u>	<u>5,519,872</u>
<i>Fund Balances End of Year</i>	<u>\$3,059,970</u>	<u>\$1,952,720</u>	<u>\$257,680</u>	<u>\$5,270,370</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$2,748,126	\$2,748,126	\$2,829,831	\$81,705
Public Library	1,674,310	1,674,310	1,693,901	19,591
Intergovernmental	400,000	400,000	384,341	(15,659)
Patron Fines and Fees	111,500	111,500	107,159	(4,341)
Contributions, Gifts and Donations	0	0	9,438	9,438
Earnings on Investments	13,500	13,500	15,791	2,291
Miscellaneous	15,000	15,000	43,888	28,888
<i>Total Receipts</i>	<u>4,962,436</u>	<u>4,962,436</u>	<u>5,084,349</u>	<u>121,913</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,961,151	1,959,140	1,800,702	158,438
Collection Development and Processing	1,543,622	1,599,961	1,458,895	141,066
Support Services:				
Facilities Operation and Maintenance	475,973	509,685	458,412	51,273
Information Services	104,042	105,784	84,547	21,237
Business Administration	1,502,400	1,509,579	1,213,004	296,575
Capital Outlay	783,206	783,694	151,446	632,248
<i>Total Disbursements</i>	<u>6,370,394</u>	<u>6,467,843</u>	<u>5,167,006</u>	<u>1,300,837</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,407,958)</u>	<u>(1,505,407)</u>	<u>(82,657)</u>	<u>1,422,750</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,875,000)	(2,875,000)	(1,375,000)	1,500,000
Other Financing Sources	20,649	20,649	0	(20,649)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,854,351)</u>	<u>(2,854,351)</u>	<u>(1,375,000)</u>	<u>1,479,351</u>
<i>Net Change in Fund Balance</i>	(4,262,309)	(4,359,758)	(1,457,657)	2,902,101
<i>Unencumbered Fund Balance Beginning of Year</i>	4,303,607	4,303,607	4,303,607	0
Prior Year Encumbrances Appropriated	97,447	97,447	97,447	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$138,745</u>	<u>\$41,296</u>	<u>\$2,943,397</u>	<u>\$2,902,101</u>

See accompanying notes to the basic financial statements

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**Willoughby-Eastlake Public Library**

*Statement of Net Position - Cash Basis*

*December 31, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,484,639
Cash and Cash Equivalents in Segregated Accounts	<u>35,233</u>
<i>Total Assets</i>	<u><u>\$5,519,872</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$1,066,596
Permanent Fund Purpose:	
Nonexpendable	16,988
Other Purposes	35,233
Unrestricted	<u>4,401,055</u>
<i>Total Net Position</i>	<u><u>\$5,519,872</u></u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2013

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  Charges for Services and Sales	<u>Net (Disbursements) Receipts</u> <u>and Changes in Net Position</u>  Governmental Activities
<b>Governmental Activities</b>			
Current:			
Library Services:			
Public Services and Programs	\$1,706,810	\$116,292	(\$1,590,518)
Collection Development and Processing	1,334,344		(1,334,344)
Support Services:			
Facilities Operation and Maintenance	409,028		(409,028)
Information Services	86,781		(86,781)
Business Administration	1,290,814		(1,290,814)
Capital Outlay	248,409		(248,409)
<i>Total Governmental Activities</i>	<u>5,076,186</u>	<u>116,292</u>	<u>(4,959,894)</u>
General Receipts:			
Property Taxes Levied for General Purposes			2,879,929
Public Library Fund			1,732,095
Other Local Taxes			383,477
Unrestricted Gifts and Contributions			6,186
Earnings on Investments			19,807
Miscellaneous			126,144
<i>Total General Receipts</i>			<u>5,147,638</u>
Change in Net Position			187,744
<i>Net Position Beginning of Year</i>			<u>5,332,128</u>
<i>Net Position End of Year</i>			<u>\$5,519,872</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,401,054	\$831,976	\$251,609	\$5,484,639
Cash and Cash Equivalents in Segregated Accounts			35,233	35,233
<i>Total Assets</i>	<u>\$4,401,054</u>	<u>\$831,976</u>	<u>\$286,842</u>	<u>\$5,519,872</u>
<b>Fund Balances</b>				
Nonspendable			\$7,500	\$7,500
Restricted			9,489	9,489
Committed	\$26,548	\$831,976	269,853	1,128,377
Assigned	70,899			70,899
Unassigned (Deficit)	4,303,607			4,303,607
<i>Total Fund Balances</i>	<u>\$4,401,054</u>	<u>\$831,976</u>	<u>\$286,842</u>	<u>\$5,519,872</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$2,879,929			\$2,879,929
Public Library	1,732,095			1,732,095
Intergovernmental	383,477			383,477
Patron Fines and Fees	116,292			116,292
Contributions, Gifts and Donations	5,891		\$295	6,186
Earnings on Investments	18,557	\$825	425	19,807
Miscellaneous	126,144			126,144
<i>Total Receipts</i>	<u>5,262,385</u>	<u>825</u>	<u>720</u>	<u>5,263,930</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,706,810			1,706,810
Collection Development and Processing	1,334,344			1,334,344
Support Services:				
Facilities Operation and Maintenance	409,028			409,028
Information Services	86,781			86,781
Business Administration	1,267,466	23,348		1,290,814
Capital Outlay	102,002	146,407		248,409
<i>Total Disbursements</i>	<u>4,906,431</u>	<u>169,755</u>	<u>0</u>	<u>5,076,186</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>355,954</u>	<u>(168,930)</u>	<u>720</u>	<u>187,744</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		537,000	35,233	572,233
Transfers Out	(572,233)			(572,233)
<i>Total Other Financing Sources (Uses)</i>	<u>(572,233)</u>	<u>537,000</u>	<u>35,233</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(216,279)	368,070	35,953	187,744
<i>Fund Balances Beginning of Year</i>	<u>4,617,333</u>	<u>463,906</u>	<u>250,889</u>	<u>5,332,128</u>
<i>Fund Balances End of Year</i>	<u>\$4,401,054</u>	<u>\$831,976</u>	<u>\$286,842</u>	<u>\$5,519,872</u>

See accompanying notes to the basic financial statements

**Willoughby-Eastlake Public Library**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$3,248,582	\$3,248,582	\$2,879,929	(\$368,653)
Public Library	1,739,570	1,739,570	1,732,095	(7,475)
Intergovernmental	0	0	383,477	383,477
Patron Fines and Fees	109,500	109,500	116,292	6,792
Contributions, Gifts and Donations	0	0	5,891	5,891
Earnings on Investments	11,500	11,500	18,557	7,057
Miscellaneous	15,000	15,000	126,144	111,144
<i>Total Receipts</i>	5,124,152	5,124,152	5,262,385	138,233
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	2,012,131	2,016,324	1,708,557	307,767
Collection Development and Processing	1,744,000	1,820,962	1,388,738	432,224
Support Services:				
Facilities Operation and Maintenance	617,275	652,403	442,772	209,631
Information Services	109,266	113,329	87,134	26,195
Business Administration	1,490,113	1,632,880	1,274,187	358,693
Capital Outlay	1,164,319	1,180,588	102,490	1,078,098
<i>Total Disbursements</i>	7,137,104	7,416,486	5,003,878	2,412,608
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,012,952)	(2,292,334)	258,507	2,550,841
<b>Other Financing Sources (Uses)</b>				
Transfers Out	2,000,000	2,000,000	(572,233)	(2,572,233)
Other Financing Sources	450,000	325,000	0	(325,000)
<i>Total Other Financing Sources (Uses)</i>	2,450,000	2,325,000	(572,233)	(2,897,233)
<i>Net Change in Fund Balance</i>	437,048	32,666	(313,726)	(346,392)
<i>Unencumbered Fund Balance Beginning of Year</i>	4,617,333	4,617,333	4,617,333	0
<i>Unencumbered Fund Balance End of Year</i>	\$5,054,381	\$4,649,999	\$4,303,607	(\$346,392)

See accompanying notes to the basic financial statements

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**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*

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

The Willoughby-Eastlake Public Library, Lake County, Ohio (the Library) was organized as a school district public library in 1906 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Willoughby-Eastlake 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 with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Willoughby-Eastlake 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. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Willoughby-Eastlake Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

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

As discussed further in the Basis of Accounting section of this note, the financial statements of the Willoughby-Eastlake 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

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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(GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. The most significant of the Library's accounting policies are described below.

***Basis of Presentation***

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

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

Fund Financial Statements During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor 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, and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for and reports all financial resources not 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.

Capital Projects Fund - The capital projects fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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The other governmental funds of the Library account for monies expended on computer equipment and under the provision of a will.

***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 appropriated under the Ohio Administrative Code. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

***Cash and Cash Equivalents***

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest earned is reported to each individual fund.

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 2014 and 2013, investments were limited to Federal Farm Credit Note and STAR Ohio. Except for the STAR Ohio this investment is recorded at cost.

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2014 and 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General fund during 2013 amounted to \$ 18,557, \$ 825 to the Capital Projects Fund, \$424 to the Computer Information Fund, and \$1 to the Worrallo Trust Fund and for 2014 \$15,791 to the General Fund, \$418 to the Capital Projects Fund, \$425 to the Computer Information Fund, and \$2 to the Worrallo Trust Fund.

***Restricted Assets***

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent the portion of the Worrallo Fund which is nonexpendable.

***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.

***Accumulated Leave***

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

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

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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***Fund Balance***

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

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

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

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

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

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

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

***Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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**Note 3 – 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 at year end (budgetary basis) amounted to \$116,573 and \$97,447 for the general fund for 2014 and 2013, respectively.

**Note 4 – 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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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5. Time certificates of deposit including CDARS or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. 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 clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end for 2014 and 2013, the Library had \$700 in undeposited cash on hand which is included as part of "*Equity in Pooled Cash and Cash Equivalents*" on the financial statements.

### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,886,304 of the Library's bank balance of \$4,886,304 for 2014 and \$4,131,499 of the Library's bank balance of \$5,131,499 for 2013 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

### ***Investments***

As of December 31, 2014, the Library had an investment in STAR Ohio \$398,594, which had an average maturity of 53.4 days.

As of December 31, 2013, the Library had an investment in STAR Ohio \$398,462, which had an average maturity of 50.1 days.

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
(Continued)

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

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Custodial Credit Risk** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2014 and 2013, was \$2.30 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 and 2013 property tax receipts were based are as follows:

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2014 and 2013  
(Continued)

Real Estate:	2014	2013
Residential/Agriculture	\$1,066,869,060	\$1,062,377,320
Commercial/Industrial/Mineral	383,874,560	405,961,740
Public Utility Tangible	45,272,600	75,948,540
Total	<u>\$1,496,016,220</u>	<u>\$1,544,287,600</u>

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

**Note 6 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Cincinnati Insurance Company	Commercial General Liability	\$6,525,000
	Commercial Property	1,201,500
	General Liability	4,000,000
	Ohio Employers Liability	1,000,000
	Crime	25,000
	Data Processing	150,000
	Automobile/Garage	1,000,000
	Business Interruption	100,000
	Commercial Umbrella	3,000,000
	Non-Profit Organization Blue Chip	1,000,000
Zurich North American Surety	Public Officials Bond	75,000/25,000
Westfield Insurance	Flood Insurance	\$50,000

Settled claims have not exceeded this 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 7 - Defined Benefit Pension Plan**

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-

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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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, 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. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 year ended December 31, 2014 and 2013, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2014 and 2013, member and employer contribution rates were consistent across all three plans.

The Library's 2014 and 2013 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 2.0 percent in 2014 and 1.0 percent in 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent as of December 2012 (latest information available). Employer contribution 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, 2014, 2013, and 2012 were \$329,951, \$334,543, and \$335,716, respectively; the full amount has been contributed for 2014, 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$4,103 made by the Library and \$3,861 made by plan members.

**Note 8 - Postemployment Benefits**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part 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 10 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 mandate, OPERS to provide health care benefits to its eligible members

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
*(Continued)*

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and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through 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 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

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 contribution allocated to health care for members in the Traditional Plan was 2.0 percent in 2014 and 1.0 percent in 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent as of December 2012 (latest information available). Employer contribution rates are actuarially determined.

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, 2014, 2013, and 2012 were \$54,992, \$25,734, and \$25,824 respectively; 100 percent for 2014, 2013, and 2012.

**Note 9 – Leases**

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$45,744 to pay lease costs for the year ended December 31, 2014 and \$39,675 for the year ended December 31, 2013. Future lease payments remaining are \$19,976, all due in 2015.

**Note 10 – Fund Balances**

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

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
For the Years Ended December 31, 2014 and 2013  
(Continued)

December 31, 2014				
Fund Balances	General	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable</b>				
Trust Principal	\$0	\$0	\$7,500	\$7,500
<b>Restricted for</b>				
Trust Earnings	0	0	9,490	9,490
<b>Committed to</b>				
Contractual Commitments	51,422	0	0	51,422
Computer Fund	0	0	205,467	205,467
Eastlake Coal Plant Fund	0	0	35,223	35,223
Capital Improvements	0	1,952,720	0	1,952,720
<i>Total Committed</i>	<u>51,422</u>	<u>1,952,720</u>	<u>240,690</u>	<u>2,244,832</u>
<b>Assigned to</b>				
Encumbrances	65,151	0	0	65,151
<b>Unassigned (Deficit)</b>	<u>2,943,397</u>	<u>0</u>	<u>0</u>	<u>2,943,397</u>
<i>Total Fund Balances</i>	<u><u>\$3,059,970</u></u>	<u><u>\$1,952,720</u></u>	<u><u>\$257,680</u></u>	<u><u>\$5,270,370</u></u>

December 31, 2013				
Fund Balances	General	Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable</b>				
Trust Principal			\$7,500	\$7,500
<b>Restricted for</b>				
Trust Earnings			9,489	9,489
<b>Committed to</b>				
Contractual Commitments	\$26,548			26,548
Computer Fund			234,620	234,620
Eastlake Coal Plant Fund			35,233	35,233
Capital Improvements		\$831,976		831,976
<i>Total Committed</i>	<u>26,548</u>	<u>831,976</u>	<u>269,853</u>	<u>1,128,377</u>
<b>Assigned to</b>				
Encumbrances	70,899	0	0	70,899
<b>Unassigned (Deficit)</b>	<u>4,303,607</u>	<u>0</u>	<u>0</u>	<u>4,303,607</u>
<i>Total Fund Balances</i>	<u><u>\$4,401,054</u></u>	<u><u>\$831,976</u></u>	<u><u>\$286,842</u></u>	<u><u>\$5,519,872</u></u>

**Willoughby-Eastlake Public Library**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2014 and 2013*  
(Continued)

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**Note 11 – Interfund Transfers**

The General fund transferred in 2014 \$1,375,000 and in 2013 \$537,000 to the Capital Projects fund for the remodel and replacement of carpet, furniture and building and maintenance items for the Eastlake, Willoughby and Willowick libraries. In addition, the General fund transferred \$35,233 to the Eastlake Coal Plant fund.

**Note 12 – Construction and Contractual Commitments**

At December 31, 2014, the Library had contractual commitments of \$51,422 to the Clevnet Library Cooperation.

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# 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*

Willoughby-Eastlake Public Library  
Lake County  
263 E. 305<sup>th</sup> St.  
Willowick, Ohio 44095

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 governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, (the Library) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements and have issued our report thereon dated October 2, 2015, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***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 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 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 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 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 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 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***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 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

October 2, 2015



# Dave Yost • Auditor of State

**WILLOUGHBY- EASTLAKE PUBLIC LIBRARY**

**LAKE 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  
OCTOBER 15, 2015**