

**CUYAHOGA FALLS LIBRARY
SUMMIT COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Cuyahoga Falls Library, Summit County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 12, 2014

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**CUYAHOGA FALLS LIBRARY
SUMMIT COUNTY**

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

June 6, 2014

Cuyahoga Falls Library
2015 Third Street
Cuyahoga Falls, Ohio 44221

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 **Cuyahoga Falls Library**, Summit County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, 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 2C 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 Cuyahoga Falls Library, Summit County, Ohio, as of December 31, 2013 and 2012, 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 2C.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

This discussion and analysis of the Cuyahoga Falls Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2013 and 2012, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key highlights for 2013 and 2012 are as follows:

In 2013, net position of the governmental activities increased \$423,342 or 29.6 percent from the prior year due to an increase in receipts for library and local government and patron fines and fees. In 2012, net position of governmental activities increased \$268,399 or 23.1 percent from the prior year due to increase in the tax levy from 1.3% to 1.9%.

In 2013 and 2012, the Library's general receipts are primarily Public Library Fund (PLF) receipts, and property and other local taxes receipts. These receipts represent and 96.71 percent and 98.9 percent of the total cash received for governmental activities during the years 2013 and 2012. PLF receipts decreased \$61,487 or 5.3 percent from 2011 to 2012 and increased \$41,786 or 3.3 percent.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Reporting the Cuyahoga Falls Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

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

Reporting the Cuyahoga Falls Library's Most Significant Funds

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

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. In 2013 and 2012 the Library has one major governmental fund – the general fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 and 2011 on a cash basis:

(Table 1)
Net Position

| | Governmental Activities | | |
|---------------------------|-------------------------|--------------|--------------|
| | 2013 | 2012 | 2011 |
| Assets | | | |
| Cash and cash equivalents | \$ 1,855,418 | \$ 1,432,076 | \$ 1,163,677 |
| Net position | | | |
| Restricted for: | | | |
| Permanent funds | | | |
| Nonexpendable | 25,000 | 25,000 | 25,000 |
| Expendable | 27,180 | 27,160 | 27,056 |
| Other purposes | 50,829 | 39,883 | 35,295 |
| Unrestricted | 1,752,409 | 1,340,033 | 1,076,326 |
| Total net position | \$ 1,855,418 | \$ 1,432,076 | \$ 1,163,677 |

As mentioned previously, net position of governmental activities increased \$423,342 or 29.6 percent during 2013. Net position increased \$268,399 or 23.1 percent during 2012.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Table 2 reflects the changes in net position in 2013, 2012 and 2011.

(Table 2)
Changes in Net Position

| | Governmental Activities 2013 | Governmental Activities 2012 | Governmental Activities 2011 |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Receipts: | | | |
| Program receipts: | | | |
| Charges for services and sales | \$ 70,422 | \$ 17,921 | \$ 11,425 |
| Operating grants and contributions | 4,281 | 4,436 | 13,617 |
| Total program receipts | <u>74,703</u> | <u>22,357</u> | <u>25,042</u> |
| General receipts: | | | |
| Property and other local taxes | 1,402,222 | 1,383,112 | 978,692 |
| Public library | 1,302,735 | 1,260,949 | 1,322,436 |
| Interest | 1,624 | 1,050 | 1,049 |
| Miscellaneous | 15,734 | 6,061 | 9,786 |
| Total general receipts | <u>2,722,315</u> | <u>2,651,172</u> | <u>2,311,963</u> |
| Total receipts | <u>2,797,018</u> | <u>2,673,529</u> | <u>2,337,005</u> |
| Disbursements: | | | |
| Salaries and benefits | 1,468,739 | 1,455,150 | 1,417,960 |
| Purchased and contract services | 306,390 | 388,381 | 386,324 |
| Library materials and information | 500,560 | 442,516 | 414,501 |
| Supplies | 48,377 | 66,892 | 46,223 |
| Other | 13,717 | 6,768 | 9,468 |
| Capital outlay | 35,893 | 45,423 | 403,161 |
| Total disbursements | <u>2,373,676</u> | <u>2,405,130</u> | <u>2,677,637</u> |
| Increase (decrease) in net position | 423,342 | 268,399 | (340,632) |
| Net position, January 1 | <u>1,432,076</u> | <u>1,163,677</u> | <u>1,504,309</u> |
| Net position, December 31 | <u>\$ 1,855,418</u> | <u>\$ 1,432,076</u> | <u>\$ 1,163,677</u> |

Program receipts represent only 2.7 percent in 2013 and 0.8 percent in 2012 of total receipts and are primarily comprised of fines and late fees and fees charged for copier use.

General receipts represent 96.7 percent of the Library's total receipts, and of this amount, over 47.8 percent are Public Library Fund and 51.5 percent are Property and Other Local Taxes for 2013. General receipts represent 99.2 percent of the Library's total receipts, and of this amount, over 47.2 percent are Public Library Fund and 51.7 percent are Property and Other Local Taxes for 2012. Miscellaneous receipts and interest make up 0.6 percent and 0.3 percent for 2013 and 2012 of the Library's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 11 and 16, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities in 2013 and 2012 are for salaries and benefits, which account for 60.5 and 61.9 percent of all governmental disbursements, respectively. The next column of the Statement, entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service. The next column identifies grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost of Services 2013 | Net Cost of Services 2013 |
|-----------------------------------|-----------------------------------|---------------------------------|
| Salaries and benefits | \$ 1,468,739 | \$ 1,468,681 |
| Purchased and contract services | 306,390 | 306,390 |
| Library materials and information | 500,560 | 425,915 |
| Supplies | 48,377 | 48,377 |
| Other | 13,717 | 13,717 |
| Capital outlay | 35,893 | 35,893 |
| Total expenses | \$ 2,373,676 | \$ 2,298,973 |

Governmental Activities

| | Total Cost of Services 2012 | Net Cost of Services 2012 |
|-----------------------------------|-----------------------------------|---------------------------------|
| Salaries and benefits | \$ 1,455,150 | \$ 1,454,844 |
| Purchased and contract services | 388,381 | 388,381 |
| Library materials and information | 442,516 | 420,465 |
| Supplies | 66,892 | 66,892 |
| Other | 6,768 | 6,768 |
| Capital outlay | 45,423 | 45,423 |
| Total expenses | \$ 2,405,130 | \$ 2,382,773 |

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Governmental Activities (Continued)

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

The dependence upon PLF and other general revenues for governmental activities is demonstrated in the above tables. Over 96 percent of disbursements are supported through PLF and other general revenues.

The Library's Funds

In 2013, the Library's funds had receipts of \$2.80 million and disbursements of \$2.37 million. The greatest change within governmental funds occurred within the general fund. The fund balance of the general fund increased \$412,376 as a result of an increase in tax revenue and public library receipts.

In 2012, the Library's funds had receipts of \$2.67 million and disbursements of \$2.41 million. The greatest change within governmental funds occurred within the general fund. The fund balance of the general fund increased \$263,653 as a result of an increase in tax revenues.

General Fund Budgeting Highlights

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

In 2013, final disbursements were budgeted at \$2.64 million and actual disbursements were \$2.49 million. In 2012, final disbursements were budgeted at \$2.64 million and actual disbursements were \$2.64 million. Receipts exceeded expectations in 2013 and 2012. However, the Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$293,085 in 2013 and \$27,832 for 2012.

Capital Assets and Debt Administration

The Library does not currently keep track of its capital assets and infrastructure. The Library did not have any debt as of December 31, 2013 and 2012.

Cuyahoga Falls Library
Summit County, Ohio
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012
Unaudited

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Library heavily depends on receipts from the Public Library Fund (PLF). With the PLF slightly increasing in 2013 and with the uncertainty of future funding, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

Contacting the Library's Financial Management

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

Cuyahoga Falls Library
Summit County
Statement of Net Position - Cash Basis
December 31, 2013

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in pooled cash and cash equivalents | \$ 1,855,418 |
| Total assets | 1,855,418 |
| Net Position | |
| Restricted for: | |
| Permanent fund purpose: | |
| Expendable | 27,180 |
| Nonexpendable | 25,000 |
| Other purposes | 50,829 |
| Unrestricted | 1,752,409 |
| Total net position | \$ 1,855,418 |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2013

| | Cash Disbursements | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|--------------------------------------|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | |
| Salaries and benefits | \$ 1,468,739 | \$ 38 | \$ 20 | \$ (1,468,681) |
| Purchased and contract services | 306,390 | - | - | (306,390) |
| Library materials and information | 500,560 | 70,384 | 4,261 | (425,915) |
| Supplies | 48,377 | - | - | (48,377) |
| Other | 13,717 | - | - | (13,717) |
| Capital outlay | 35,893 | - | - | (35,893) |
| Total governmental activities | \$ 2,373,676 | \$ 70,422 | \$ 4,281 | (2,298,973) |
| General Receipts | | | | |
| Property taxes levied for: | | | | |
| | | | | 1,402,222 |
| | | | | 1,302,735 |
| | | | | 1,624 |
| | | | | 15,734 |
| | | | | <u>2,722,315</u> |
| | | | | Change in net position 423,342 |
| | | | | Net position beginning of year <u>1,432,076</u> |
| | | | | Net position end of year <u>\$ 1,855,418</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2013

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in pooled cash and cash equivalents | \$ 1,751,349 | \$ 104,069 | \$ 1,855,418 |
| Fund Balances | | | |
| Nonspendable | - | 25,000 | 25,000 |
| Restricted | - | 78,009 | 78,009 |
| Committed | - | 1,060 | 1,060 |
| Assigned | 119,291 | - | 119,291 |
| Unassigned | 1,632,058 | - | 1,632,058 |
| Total fund balances | \$ 1,751,349 | \$ 104,069 | \$ 1,855,418 |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

| | General | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|---------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property and other local taxes | \$ 1,402,222 | \$ - | \$ 1,402,222 |
| Public library | 1,302,735 | - | 1,302,735 |
| Patron fines and fees | 70,385 | - | 70,385 |
| Gifts and contributions | - | 4,245 | 4,245 |
| Interest | 1,624 | 35 | 1,659 |
| Miscellaneous | 9,086 | 6,686 | 15,772 |
| Total receipts | 2,786,052 | 10,966 | 2,797,018 |
| Disbursements | | | |
| Current: | | | |
| Salaries and benefits | 1,468,739 | - | 1,468,739 |
| Purchased and contract services | 306,390 | - | 306,390 |
| Library materials and information | 500,560 | - | 500,560 |
| Supplies | 48,377 | - | 48,377 |
| Other | 13,717 | - | 13,717 |
| Capital outlay | 35,893 | - | 35,893 |
| Total disbursements | 2,373,676 | - | 2,373,676 |
| Net change in fund balance | 412,376 | 10,966 | 423,342 |
| Fund balances beginning of year | 1,338,973 | 93,103 | 1,432,076 |
| Fund balances end of year | <u>\$ 1,751,349</u> | <u>\$ 104,069</u> | <u>\$ 1,855,418</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--------------------------------------|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and other local taxes | \$ 1,370,000 | \$ 1,370,000 | \$ 1,402,222 | \$ 32,222 |
| Public library | 1,253,000 | 1,253,000 | 1,302,735 | 49,735 |
| Patron fines and fees | 13,000 | 13,000 | 70,385 | 57,385 |
| Gifts and contributions | 500 | 500 | - | (500) |
| Interest | 1,000 | 1,000 | 1,624 | 624 |
| Miscellaneous | 1,000 | 1,000 | 9,086 | 8,086 |
| Total receipts | <u>2,638,500</u> | <u>2,638,500</u> | <u>2,786,052</u> | <u>147,552</u> |
| Disbursements | | | | |
| Current: | | | | |
| Salaries and benefits | 1,503,500 | 1,503,500 | 1,476,590 | 26,910 |
| Purchased and contract services | 441,000 | 441,000 | 341,944 | 99,056 |
| Library materials and information | 546,000 | 546,000 | 565,328 | (19,328) |
| Supplies | 70,000 | 70,000 | 58,077 | 11,923 |
| Other | 18,000 | 18,000 | 14,177 | 3,823 |
| Capital outlay | 60,000 | 60,000 | 36,851 | 23,149 |
| Total disbursements | <u>2,638,500</u> | <u>2,638,500</u> | <u>2,492,967</u> | <u>145,533</u> |
| Net change in fund balance | - | - | 293,085 | 293,085 |
| Fund balance at beginning of year | 1,103,152 | 1,103,152 | 1,103,152 | - |
| Prior year encumbrances appropriated | 235,821 | 235,821 | 235,821 | - |
| Fund balance at end of year | <u>\$ 1,338,973</u> | <u>\$ 1,338,973</u> | <u>\$ 1,632,058</u> | <u>\$ 293,085</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Net Position - Cash Basis
December 31, 2012

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in pooled cash and cash equivalents | \$ 1,432,076 |
| Total assets | 1,432,076 |
| Net Position | |
| Restricted for: | |
| Permanent fund purpose: | |
| Expendable | 27,160 |
| Nonexpendable | 25,000 |
| Other purposes | 39,883 |
| Unrestricted | 1,340,033 |
| Total net position | \$ 1,432,076 |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2012

| | Cash Disbursements | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|--------------------------------------|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | |
| Salaries and benefits | \$ 1,455,150 | \$ 202 | \$ 104 | \$ (1,454,844) |
| Purchased and contract services | 388,381 | - | - | (388,381) |
| Library materials and information | 442,516 | 17,719 | 4,332 | (420,465) |
| Supplies | 66,892 | - | - | (66,892) |
| Other | 6,768 | - | - | (6,768) |
| Capital outlay | 45,423 | - | - | (45,423) |
| Total governmental activities | \$ 2,405,130 | \$ 17,921 | \$ 4,436 | (2,382,773) |
| General Receipts | | | | |
| Property taxes levied for: | | | | |
| | | | | 1,383,112 |
| | | | | 1,260,949 |
| | | | | 1,050 |
| | | | | 6,061 |
| | | | | <u>2,651,172</u> |
| | | | | Change in net position 268,399 |
| | | | | Net position beginning of year <u>1,163,677</u> |
| | | | | Net position end of year <u>\$ 1,432,076</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2012

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in pooled cash and cash equivalents | \$ 1,338,973 | \$ 93,103 | \$ 1,432,076 |
| Fund Balances | | | |
| Nonspendable | - | 25,000 | 25,000 |
| Restricted | - | 67,043 | 67,043 |
| Committed | - | 1,060 | 1,060 |
| Assigned | 235,821 | - | 235,821 |
| Unassigned | 1,103,152 | - | 1,103,152 |
| Total fund balances | \$ 1,338,973 | \$ 93,103 | \$ 1,432,076 |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

| | General | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|---------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property and other local taxes | \$ 1,383,112 | \$ - | \$ 1,383,112 |
| Public library | 1,260,949 | - | 1,260,949 |
| Patron fines and fees | 17,719 | - | 17,719 |
| Gifts and contributions | 500 | 3,704 | 4,204 |
| Interest | 1,050 | 232 | 1,282 |
| Miscellaneous | 5,453 | 810 | 6,263 |
| Total receipts | 2,668,783 | 4,746 | 2,673,529 |
| Disbursements | | | |
| Current: | | | |
| Salaries and benefits | 1,455,150 | - | 1,455,150 |
| Purchased and contract services | 388,381 | - | 388,381 |
| Library materials and information | 442,516 | - | 442,516 |
| Supplies | 66,892 | - | 66,892 |
| Other | 6,768 | - | 6,768 |
| Capital outlay | 45,423 | - | 45,423 |
| Total disbursements | 2,405,130 | - | 2,405,130 |
| Net change in fund balance | 263,653 | 4,746 | 268,399 |
| Fund balances beginning of year | 1,075,320 | 88,357 | 1,163,677 |
| Fund balances end of year | <u>\$ 1,338,973</u> | <u>\$ 93,103</u> | <u>\$ 1,432,076</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--------------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and other local taxes | \$ 1,400,000 | \$ 1,400,000 | \$ 1,383,112 | \$ (16,888) |
| Public library | 1,250,000 | 1,250,000 | 1,260,949 | 10,949 |
| Patron fines and fees | 11,000 | 11,000 | 17,719 | 6,719 |
| Gifts and contributions | - | - | 500 | 500 |
| Interest | 1,000 | 1,000 | 1,050 | 50 |
| Miscellaneous | 1,000 | 1,000 | 5,453 | 4,453 |
| Total receipts | 2,663,000 | 2,663,000 | 2,668,783 | 5,783 |
| Disbursements | | | | |
| Current: | | | | |
| Salaries and benefits | 1,463,000 | 1,463,000 | 1,581,882 | (118,882) |
| Purchased and contract services | 403,500 | 403,500 | 407,825 | (4,325) |
| Library materials and information | 530,000 | 530,000 | 497,470 | 32,530 |
| Supplies | 56,000 | 56,000 | 67,892 | (11,892) |
| Other | 100,000 | 100,000 | 10,848 | 89,152 |
| Capital outlay | 90,000 | 90,000 | 75,034 | 14,966 |
| Total disbursements | 2,642,500 | 2,642,500 | 2,640,951 | 1,549 |
| Net change in fund balance | 20,500 | 20,500 | 27,832 | 7,332 |
| Fund balance at beginning of year | 822,402 | 822,402 | 822,402 | - |
| Prior year encumbrances appropriated | 252,918 | 252,918 | 252,918 | - |
| Fund balance at end of year | <u>\$ 1,095,820</u> | <u>\$ 1,095,820</u> | <u>\$ 1,103,152</u> | <u>\$ 7,332</u> |

See accompanying notes to the basic financial statements.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 1 – Description of the Library and Reporting Entity

The Cuyahoga Falls Library was organized as a body corporate and politic in 1912 under the laws of the State of Ohio. The Library is directed by an eleven-member Board of Trustees of which five members are lifetime Trustees appointed by the Library Association, four members are appointed by the Mayor of Cuyahoga Falls, and two members are appointed by the Cuyahoga Falls City School District. The Library provides the community with various educational and literary resources. Appointments are for three-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in this note, the financial statements of the Cuyahoga Falls Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

A. 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 all financial activities of the Library. Governmental activities generally are financed through the Public Library Fund (PLF).

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds:

Governmental funds financed primarily from taxes, intergovernmental receipts (e.g. grants), 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 is the Library's major governmental funds:

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued):

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.

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on 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 character or 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 resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

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

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. During 2013 and 2012, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2013 amounted to \$1,624 which includes \$97 assigned from other Library funds. Interest receipts credited to the general fund during 2012 amounted to \$1,050 which includes \$73 assigned from other Library funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or 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 (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.

J. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

K. 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.

L. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Library had no such transactions in 2013 and 2012.

N. 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. Net position totaling \$25,000 in the permanent fund are restricted and are non-expendable.

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.

O. Interfund Transactions

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

Note 3 – Change in Accounting Principle

For 2012, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. Neither GASB statement had an effect on beginning net position/fund balance.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund in 2013 and 2012 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than an assignment of fund balance (cash basis). The encumbrances outstanding at year end December 31, 2013 (budgetary basis) amount to \$119,291 for the general fund. The encumbrances outstanding at year end December 31, 2012 (budgetary basis) amounted to \$235,821 for the general fund.

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 - Deposits and Investments (Continued)

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

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

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

At year end 2013 and 2012, the Library had \$80 in undeposited cash on hand respectively, which is included on the statement of cash basis assets and fund balances of the Library as part of "Equity in pooled cash and cash equivalents."

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2013, the carrying amount of the Library's deposits was \$1,762,199 and the bank balance was \$1,871,820. Of the bank balance \$1,621,820 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At December 31, 2012, the carrying amount of the Library's deposits was \$1,339,954 and the bank balance was \$1,396,245. Of the bank balance \$1,146,245 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

As of December 31, 2013, the Library had \$93,139 invested in STAR Ohio and as of December 31, 2012, the Library had \$92,042 invested in STAR Ohio.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 5 - Deposits and Investments (Continued)

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

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Grants - In - Aid

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

Note 7 - Risk Management

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

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

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

Note 8 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. 3.) The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to, but less than, the Traditional Pension Plan benefits. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 8 - Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only in the Traditional Pension Plan. The 2013 and 2012 member contribution rates were 10.00% of covered payroll. The Library's 2013 and 2012 employer contribution rate was 14.00% of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012 and 2011 were \$158,343, \$88,949 and \$90,291, respectively; the full amount has been contributed for all three years.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014.

Note 9 - Postemployment Benefits

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

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

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 9 - Postemployment Benefits (Continued)

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 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, the local government employer contribution rate was 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during 2013 and 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1 percent during calendar year 2013 and 6.05 percent during calendar year 2012. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library's actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2013, 2012 and 2011 were \$12,180, \$67,690 and \$50,162, respectively, 100 percent has been contributed for 2013, 2012 and 2011.

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 expected to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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 for 2013 and 2012 are presented on the following page:

Cuyahoga Falls Library
Summit County, Ohio
Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 10 - Fund Balances (Continued)

| 2013 Fund Balances | <u>General</u> | Other Governmental Funds | Total Governmental Funds |
|------------------------|---------------------|--------------------------------|--------------------------------|
| <u>Nonspendable</u> | | | |
| Scholarships | \$ - | \$ 25,000 | \$ 25,000 |
| <u>Restricted for</u> | | | |
| Scholarships | - | 27,180 | 27,180 |
| Endowments and trusts | - | 50,829 | 50,829 |
| Total restricted | - | 78,009 | 78,009 |
| <u>Committed</u> | | | |
| Permanent improvements | - | 1,060 | 1,060 |
| <u>Assigned</u> | | | |
| Encumbrances | 119,291 | - | 119,291 |
| Unassigned | 1,632,058 | - | 1,632,058 |
| Total fund balances | <u>\$ 1,751,349</u> | <u>\$ 104,069</u> | <u>\$ 1,855,418</u> |

| 2012 Fund Balances | <u>General</u> | Other Governmental Funds | Total Governmental Funds |
|------------------------|---------------------|--------------------------------|--------------------------------|
| <u>Nonspendable</u> | | | |
| Scholarships | \$ - | \$ 25,000 | \$ 25,000 |
| Total nonspendable | - | 25,000 | 25,000 |
| <u>Restricted for</u> | | | |
| Scholarships | - | 27,160 | 27,160 |
| Endowments and trusts | - | 39,883 | 39,883 |
| Total restricted | - | 67,043 | 67,043 |
| <u>Committed</u> | | | |
| Permanent improvements | - | 1,060 | 1,060 |
| <u>Assigned</u> | | | |
| Encumbrances | 235,821 | - | 235,821 |
| Total assigned | 235,821 | - | 235,821 |
| Unassigned | 1,103,152 | - | 1,103,152 |
| Total fund balances | <u>\$ 1,338,973</u> | <u>\$ 93,103</u> | <u>\$ 1,432,076</u> |

Cuyahoga Falls Library
Summit County, Ohio

Notes to the Basic Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 11 – Jointly Governed Organizations

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

Note 12 – Related Party Transactions

The Library pays an annual fee to Northeast Ohio Regional Library System (NEO-RLS) a jointly governed organization of which the Library is a member. NEO-RLS provides information, resources and expertise to its members. The Library paid \$5,385 for annual dues in 2013 and \$4,080 for annual dues in 2012.

Note 13 – Contingencies

The Library is a defendant in a lawsuit in which minimal damages are being sought. The Library believes that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Library.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

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

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

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

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

June 6, 2014

Cuyahoga Falls Library
2015 Third Street
Cuyahoga Falls, Ohio 44221

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 **Cuyahoga Falls Library**, Summit County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 6, 2014, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting 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. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

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*.

We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated June 6, 2014.

Entity's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CUYAHOGA FALLS LIBRARY
SUMMIT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2013-001

Material Weakness

Lack of Controls over Cash Receipts

During fiscal year 2013, the Library internally discovered theft of cash receipts by the former Clerk-Treasurer totaling \$369,848. The theft was in relation to patron fines and fees. The Library did not have proper internal controls in place to ensure actual cash receipts collected for patron fines and fees were the amounts recorded in the accounting system and deposited into the bank account.

This practice and lack of adequate internal controls resulted in loss of Library funds and could lead to additional personal liability to Library officials.

We recommend the Library implement proper internal controls to ensure cash collected for patron fines and fees agrees to the amounts recorded into the accounting system and deposited into the bank account, such as agreeing daily cash collections of patron fines and fees to the Library's circulation system and having adequate segregation of duties.

Officials' Response – The Library has since put new policies and procedures in place over the collection of cash receipts.

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Dave Yost • Auditor of State

CUYAHOGA FALLS LIBRARY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2014**