



Dave Yost • Auditor of State

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2011, and 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, Ohio, as of December 31, 2011, and 2010, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2010 the Lakewood Public Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

Dave Yost
Auditor of State

November 15, 2012

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
Unaudited

This discussion and analysis of the Lakewood Public Library's, Cuyahoga County, (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2011 and December 31, 2010, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of total government activities increased from 2010 by \$845,518 or 15.7 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund which increased by \$671,171 due to an increase in total receipts and reduced total disbursements. However, "Other Governmental Funds" which includes the Library's endowment funds increased by \$174,347 as a result of receiving donations of \$2,000 and the creation of the Horace and Agnes Shoemaker Endowment Fund in the amount of \$171,971 created by a transfer.

The Library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These receipts represent 92.4 percent of the total cash received for the General Fund during the year. Property taxes and PLF tax receipts for 2011 decreased by \$2,221 compared to 2010 primarily due to reduced funding of the PLF by the Ohio Government.

Key highlights for 2010 are as follows:

Net assets of total government activities increased from 2009 by \$479,470 or 9.8 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund which increased by \$476,775 due to a reduction in total disbursements. However, "Other Governmental Funds" which includes the Library's endowment funds increased by \$2,695 as a result of receiving donations totaling \$2,000 in 2010.

The Library's general receipts are primarily property taxes and Public Library Fund ("PLF"). These receipts represent 95.5 percent of the total cash received for the General Fund during the year. Property taxes and PLF tax receipts for 2010 decreased by \$119,285 compared to 2009 primarily due to a reduction in property tax receipts and due in part to reduced funding of the PLF by the Ohio Government.

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.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
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Unaudited

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money 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 basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2011 and 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each 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 Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and intergovernmental.

**LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
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In the statement of net assets and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by property taxes and the PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

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

Governmental Funds – The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant Governmental funds are presented on the financial statements in separate columns. The 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. In 2011 and 2010 the Library's major governmental fund was the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2011, 2010 and 2009 on a cash basis:

(Table 1)			
Net Assets			
Governmental Activities			
	2011	2010	2009
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,239,927	\$5,394,409	\$4,914,939
Total Assets	\$6,239,927	\$5,394,409	\$4,914,939
Restricted for:			
Capital Projects	\$20,221	\$20,221	\$0
Permanent Fund	820,079	645,732	663,258
Unrestricted	5,399,627	4,728,456	4,251,681
Total Net Assets	\$6,239,927	\$5,394,409	\$4,914,939

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
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Unaudited

Table 2 reflects the changes in net assets in 2011, 2010 and 2009.

(Table 2)
Changes in Net

	Governmental Activities 2011	Governmental Activities 2010	Governmental Activities 2009
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$142,971	\$163,073	\$111,096
Total Program Receipts	<u>142,971</u>	<u>163,073</u>	<u>111,096</u>
General Receipts:			
Property Taxes Levied for General Purposes	1,929,061	1,939,485	2,030,340
Grants and Entitlements not Restricted to Specific Programs	2,146,017	2,137,814	2,166,244
Unrestricted Grants and Contributions	176,306	11,887	59,172
Earning on Investments	16,121	21,402	14,694
Total General Receipts	<u>4,267,505</u>	<u>4,110,588</u>	<u>4,270,450</u>
Total Receipts	<u>4,410,476</u>	<u>4,273,661</u>	<u>4,381,546</u>
Disbursements:			
Library Services:			
Public Service and Programs	1,255,628	1,390,501	1,602,296
Collection Development and Processing	1,216,787	1,273,655	1,435,157
Support Services:			
Facilities Operation and Maintenance	631,573	729,443	769,667
Information Services	116,900	61,097	67,523
Business Administration	313,907	304,217	506,501
Capital Outlay	30,163	35,278	50,408
Total Disbursements	<u>3,564,958</u>	<u>3,794,191</u>	<u>4,431,552</u>
Change in Net Assets	845,518	479,470	(50,006)
Net Assets, Beginning of Year	<u>5,394,409</u>	<u>4,914,939</u>	<u>4,964,945</u>
Net Assets, End of Year	<u>\$6,239,927</u>	<u>\$5,394,409</u>	<u>\$4,914,939</u>

**LAKWOOD PUBLIC LIBRARY
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Management's Discussion and Analysis
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For 2011, program receipts represent 3.2 percent of total receipts and are primarily comprised of patron fines and fees. General receipts represent 96.8 percent of the Library's total receipts, and of this amount, over 45.2 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 50.3 percent of the Library's total receipts.

For 2010, program receipts represent 3.8 percent of total receipts and are primarily comprised of patron fines and fees. General receipts represent 96.2 percent of the Library's total receipts, and of this amount, over 47.1 percent are local taxes. Grants and entitlements not restricted to specific programs make up another 52 percent of the Library's total receipts.

Disbursements for public services and programs, collection development and processing, facilities operation and maintenance, information services, business administration as well as capital outlay represent the costs of running the Library.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 20, 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 Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration and Capital Outlay. The next column of the statement entitled Program Cash Receipts identifies the amounts paid by people who are directly charged for the service. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which end 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Library Services:				
Public Service and Programs	\$1,255,628	\$1,118,745	\$1,390,501	\$1,234,642
Collection Development and Processing	1,216,787	1,215,705	1,273,655	1,269,104
Support Services:				
Facilities Operation and Maintenance	631,573	629,482	729,443	728,202
Information Services	116,900	115,117	61,097	61,097
Business Administration	313,907	312,828	304,217	302,795
Capital Outlay	30,163	30,110	35,278	35,278
Total Disbursements	\$3,564,958	\$3,421,987	\$3,794,191	\$3,631,118

The dependence upon general receipts is apparent as over 95.9 and 95.7 percent, respectively, of library services are supported through these receipts.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
Unaudited

The Library's Funds

In 2011, total governmental funds had receipts of \$4,410,476 and disbursements of \$3,564,958. The greatest change within governmental funds occurred within General Fund which increased by \$671,171 primarily as a result of cost reductions and donations enacted during 2011.

In 2010, total governmental funds had receipts of \$4,273,661 and disbursements of \$3,794,191. The greatest change within governmental funds occurred within the General Fund which increased by \$476,775 primarily as a result of cost reductions enacted during 2010.

General Fund Budgeting Highlights

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

During 2011, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,276,506. Actual disbursements (including \$43,694 of encumbrances) were \$3,608,652 for 2011. Actual receipts were above budgeted receipts. The difference between actual receipts and budgeted receipts was \$430,701. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the library to experience an overall net \$926,584 favorable fund balance variance to budget.

During 2010, the Library submitted one General Fund budget. Disbursements were budgeted at \$4,084,628. Actual disbursements (including \$155 of encumbrances) were \$3,794,346 for 2010. Actual receipts were above budgeted receipts. The difference between actual receipts and budgeted receipts was \$182,396. Maintaining actual expenditures below projected levels and having actual receipts come in above budgeted amounts allowed the library to experience an overall net \$472,678 favorable fund balance variance to budget.

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. We rely heavily on local taxes and have very little industry to support the tax base.

LAKWOOD PUBLIC LIBRARY
CUYAHOGA COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and December 31, 2010
Unaudited

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Timothy P. Laskey, CPA, Fiscal Officer, Lakewood Public Library, 15425 Detroit Avenue, Lakewood, Ohio, 44107.

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,239,927
<i>Total Assets</i>	\$6,239,927
Net Assets	
Restricted for:	
Capital Projects	20,221
Permanent Fund Purpose:	
Nonexpendable	820,079
Unrestricted	5,399,627
<i>Total Net Assets</i>	\$6,239,927

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2011

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,255,628	\$136,883	(\$1,118,745)
Collection Development and Processing	1,216,787	1,082	(1,215,705)
Support Services:			
Facilities Operation and Maintenance	631,573	2,091	(629,482)
Information Services	116,900	1,783	(115,117)
Business Administration	313,907	1,079	(312,828)
Capital Outlay	30,163	53	(30,110)
<i>Total Governmental Activities</i>	<u>\$3,564,958</u>	<u>\$142,971</u>	<u>(\$3,421,987)</u>
General Receipts			
Property Taxes Levied for General Purposes			\$1,929,061
Grants and Entitlements not Restricted to Specific Programs			2,146,017
Unrestricted Gifts and Contributions			176,306
Earnings on Investments			16,121
		Total General Receipts	4,267,505
		Change in Net Assets	845,518
		<i>Net Assets, Beginning of Year</i>	5,394,409
		<i>Net Assets, End of Year</i>	<u>\$6,239,927</u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,399,627	\$840,300	\$6,239,927
<i>Total Assets</i>	<u>\$5,399,627</u>	<u>\$840,300</u>	<u>\$6,239,927</u>
Fund Balances			
Restricted		\$840,300	\$840,300
Unassigned	5,399,627		5,399,627
<i>Total Fund Balances</i>	<u>\$5,399,627</u>	<u>\$840,300</u>	<u>\$6,239,927</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011*

Total Governmental Fund Balances	<u>\$6,239,927</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$6,239,927</u></u>
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See accompanying notes to the basic financial statements

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$1,929,061		\$1,929,061
Intergovernmental	2,146,017		2,146,017
Patron Fines and Fees	135,339		135,339
Contributions, Gifts and Donations	174,306	2,000	176,306
Earnings on Investments	15,745	376	16,121
Miscellaneous	7,632		7,632
<i>Total Receipts</i>	<u>4,408,100</u>	<u>2,376</u>	<u>4,410,476</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	\$1,255,628		\$1,255,628
Collection Development and Processing	1,216,787		1,216,787
Support Services:			
Facilities Operation and Maintenance	631,573		631,573
Information Services	116,900		116,900
Business Administration	313,907		313,907
Capital Outlay	30,163		30,163
<i>Total Disbursements</i>	<u>3,564,958</u>	<u>0</u>	<u>3,564,958</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>843,142</u>	<u>2,376</u>	<u>845,518</u>
Other Financing Sources (Uses)			
Transfers In		171,971	171,971
Transfers Out	(171,971)	0	(171,971)
<i>Total Other Financing Sources (Uses)</i>	<u>(171,971)</u>	<u>171,971</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	671,171	174,347	845,518
<i>Fund Balances, Beginning of Year</i>	<u>4,728,456</u>	<u>665,953</u>	<u>5,394,409</u>
<i>Fund Balances, End of Year</i>	<u>\$5,399,627</u>	<u>\$840,300</u>	<u>\$6,239,927</u>

See accompanying notes to the basic financial statements

Lakewood Public Library

Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011*

Net Changes in Fund Balances - Total Governmental Funds	<u>\$845,518</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$845,518</u></u>

See accompanying notes to the basic financial statements

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

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,848,168	\$1,848,168	\$1,929,061	\$80,893
Intergovernmental	1,954,731	1,954,731	2,146,017	191,286
Patron Fines and Fees	157,000	157,000	135,339	(21,661)
Contributions, Gifts and Donations	1,500	1,500	174,306	172,806
Earnings on Investments	16,000	16,000	15,745	(255)
Miscellaneous	0	0	7,632	7,632
<i>Total Receipts</i>	<u>3,977,399</u>	<u>3,977,399</u>	<u>4,408,100</u>	<u>430,701</u>
Disbursements				
Library Services:				
Public Service and Programs	1,403,797	1,403,797	1,255,628	\$148,169
Collection Development and Processing	1,307,132	1,307,132	1,260,348	46,784
Support Services:				
Facilities Operation and Maintenance	757,381	757,381	631,706	125,675
Information Services	95,000	95,000	116,900	(21,900)
Business Administration	372,196	372,196	313,907	58,289
Capital Outlay	341,000	341,000	30,163	310,837
<i>Total Disbursements</i>	<u>4,276,506</u>	<u>4,276,506</u>	<u>3,608,652</u>	<u>667,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(299,107)</u>	<u>(299,107)</u>	<u>799,448</u>	<u>1,098,555</u>
Other Financing Uses				
Transfers Out	0	0	(171,971)	(171,971)
<i>Total Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>(171,971)</u>	<u>(171,971)</u>
<i>Net Change in Fund Balances</i>	(299,107)	(299,107)	627,477	926,584
<i>Fund Balances, Beginning of Year</i>	<u>4,728,301</u>	<u>4,728,301</u>	<u>4,728,301</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>155</u>	<u>155</u>	<u>155</u>	<u>0</u>
<i>Fund Balances, End of Year</i>	<u>\$4,429,349</u>	<u>\$4,429,349</u>	<u>\$5,355,933</u>	<u>\$926,584</u>

See accompanying notes to the basic financial statements

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,394,409</u>
<i>Total Assets</i>	<u><u>\$5,394,409</u></u>
Net Assets	
Restricted for:	
Capital Projects	20,221
Permanent Fund Purpose:	
Nonexpendable	645,732
Unrestricted	<u>4,728,456</u>
<i>Total Net Assets</i>	<u><u>\$5,394,409</u></u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,390,501	\$155,859	(\$1,234,642)
Collection Development and Processing	1,273,655	4,551	(1,269,104)
Support Services:			
Facilities Operation and Maintenance	729,443	1,241	(728,202)
Information Services	61,097	0	(61,097)
Business Administration	304,217	1,422	(302,795)
Capital Outlay	35,278		(35,278)
<i>Total Governmental Activities</i>	<u>\$3,794,191</u>	<u>\$163,073</u>	<u>(\$3,631,118)</u>
General Receipts			
Property Taxes Levied for General Purposes			\$1,939,485
Grants and Entitlements not Restricted to Specific Programs			2,137,814
Unrestricted Gifts and Contributions			11,887
Earnings on Investments			21,402
		Total General Receipts	4,110,588
		Change in Net Assets	479,470
		<i>Net Assets, Beginning of Year</i>	4,914,939
		<i>Net Assets, End of Year</i>	<u>\$5,394,409</u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,728,456	\$665,953	\$5,394,409
<i>Total Assets</i>	<u>\$4,728,456</u>	<u>\$665,953</u>	<u>\$5,394,409</u>
Fund Balances			
Restricted		\$665,953	\$665,953
Unassigned	4,728,456		4,728,456
<i>Total Fund Balances</i>	<u>\$4,728,456</u>	<u>\$665,953</u>	<u>\$5,394,409</u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2010

Total Governmental Fund Balances	<u>\$5,394,409</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,394,409</u></u>

See accompanying notes to the basic financial statements

Lakewood Public Library
Cuyahoga County

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds

For the Year Ended December 31, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$1,939,485		\$1,939,485
Intergovernmental	2,137,814		2,137,814
Patron Fines and Fees	153,964		153,964
Contributions, Gifts and Donations	9,887	2,000	11,887
Earnings on Investments	20,707	695	21,402
Miscellaneous	9,109		9,109
<i>Total Receipts</i>	<u>4,270,966</u>	<u>2,695</u>	<u>4,273,661</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	\$1,390,501		\$1,390,501
Collection Development and Processing	1,273,655		1,273,655
Support Services:			
Facilities Operation and Maintenance	729,443		729,443
Information Services	61,097		61,097
Business Administration	304,217		304,217
Capital Outlay	35,278		35,278
<i>Total Disbursements</i>	<u>3,794,191</u>	<u>0</u>	<u>3,794,191</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>476,775</u>	<u>2,695</u>	<u>479,470</u>
Other Financing Uses			
Transfers Out	0	0	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	476,775	2,695	479,470
<i>Fund Balances, Beginning of Year</i>	<u>4,251,681</u>	<u>663,258</u>	<u>4,914,939</u>
<i>Fund Balances, End of Year</i>	<u>\$4,728,456</u>	<u>\$665,953</u>	<u>\$5,394,409</u>

See accompanying notes to the basic financial statements

Lakewood Public Library

Cuyahoga County

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2010*

Net Changes in Fund Balances - Total Governmental Funds	<u>\$479,470</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$479,470</u></u>

See accompanying notes to the basic financial statements

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

	General Fund Original Budget	General Fund Final Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$1,795,513	\$1,795,513	\$1,939,485	\$143,972
Intergovernmental	2,086,057	2,086,057	2,137,814	51,757
Patron Fines and Fees	186,000	186,000	153,964	(32,036)
Contributions, Gifts and Donations	4,000	4,000	9,887	5,887
Earnings on Investments	17,000	17,000	20,707	3,707
Miscellaneous	0	0	9,109	9,109
<i>Total Receipts</i>	<u>4,088,570</u>	<u>4,088,570</u>	<u>4,270,966</u>	<u>182,396</u>
Disbursements				
Library Services:				
Public Service and Programs	1,440,661	1,440,661	1,390,501	\$50,160
Collection Development and Processing	1,324,093	1,324,093	1,273,655	50,438
Support Services:				
Facilities Operation and Maintenance	779,266	779,266	729,598	49,668
Information Services	95,000	95,000	61,097	33,903
Business Administration	349,608	349,608	304,217	45,391
Capital Outlay	96,000	96,000	35,278	60,722
<i>Total Disbursements</i>	<u>4,084,628</u>	<u>4,084,628</u>	<u>3,794,346</u>	<u>290,282</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,942</u>	<u>3,942</u>	<u>476,620</u>	<u>472,678</u>
Other Financing Uses				
Transfers Out	0	0	0	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	3,942	3,942	476,620	472,678
<i>Fund Balances, Beginning of Year</i>	<u>4,180,220</u>	<u>4,180,220</u>	<u>4,180,220</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>71,461</u>	<u>71,461</u>	<u>71,461</u>	<u>0</u>
<i>Fund Balances, End of Year</i>	<u><u>\$4,255,623</u></u>	<u><u>\$4,255,623</u></u>	<u><u>\$4,728,301</u></u>	<u><u>\$472,678</u></u>

See accompanying notes to the basic financial statements

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Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 1 – Description of the Library and Reporting Entity

The Lakewood Public Library was organized as a school district public library in 1916 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Lakewood Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Lakewood City School District.

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

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Lakewood Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets presents the cash balance 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

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

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.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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

D. Budgetary Process

All funds (except agency funds) are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

E. Cash and Cash Equivalents

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

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

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

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

During 2011 and 2010, the Library invested in STAR Ohio and the CDARS program with TriState Capital Bank in Cleveland, Ohio, and Lorain National Bank in Lorain, 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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011 and December 31, 2010.

CDARS is the certificate of deposit account registry service. CDARS provides a way to access full FDIC insurance on large deposits. In 2009, the Library invested \$1,000,000 in the CDARS program through Western Reserve Bank in Medina, Ohio. This investment was broken down into six smaller deposits that were placed as certificates of deposit with a total of six banks. Each certificate of deposit has a 52 week maturity. These certificates of deposit matured in December 2010.

In June 2010, the Library invested \$1,000,000 in the CDARS program through TriState Capital Bank in Cleveland, Ohio. This investment was broken down into five smaller deposits that were placed as certificates of deposit with a total of five banks. Each certificate of deposit has a 52 week maturity.

In December 2010, the Library invested \$1,000,000 in the CDARS program through Lorain National Bank in Lorain, Ohio. As of December 31, 2010 the investment had not yet been placed with member CDAR banks. Once placed, each certificate will have a 52 week maturity.

In June 2011, the Library invested \$1,000,000 in the CDARS program through TriState Capital Bank in Cleveland, Ohio. This investment was broken down into four smaller deposits that were placed as certificates of deposit with a total of four banks. Each certificate of deposit has a 52 week maturity.

In December 2011, the Library invested \$1,000,000 in the CDARS program through Lorain National Bank in Lorain, Ohio. As of December 31, 2010 the investment had not yet been placed with member CDAR banks. Once placed, each certificate will have a 52 week maturity.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds during 2011 amounted to \$16,121 and \$21,402 in 2010.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. The Library had \$20,221 and \$20,221 restricted for Capital Projects and \$820,079 and \$645,732 restricted in Permanent Funds at December 31, 2011 and December 31, 2010, respectively.

G. Inventory and Prepaid Items

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

I. 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.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

J. 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.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

In 2011, the government-wide statement of net assets reports \$6,239,927 of total net assets.

In 2010, the government-wide statement of net assets reports \$5,394,409 of total net assets.

L. 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.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Note 3 – Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For 2011 and 2010, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds as previously reported.

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 for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). In 2011, the encumbrances outstanding at year-end (budgetary basis) amounted to \$43,694 for the General Fund. In 2010, the encumbrances outstanding at year end (budgetary basis) amounted to \$155 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:

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 5 - Deposits and Investments (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At each year end, the Library had \$320 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, Deposit and Investment Risk Disclosures.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 5 - Deposits and Investments (Continued)

Deposits

At fiscal year end 2011, the carrying amount of the Library's deposits was \$47,156 and the bank balance was \$191,727. At fiscal year end 2010, the carrying amount of the Library's deposits was \$1,021,535 and the bank balance was \$1,155,760. Of the bank balance \$250,000 was covered by federal depository. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

Investments

As of December 31, 2011 and December 31, 2010, the Library had the following investments:

<u>December 31, 2011</u>	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$4,184,012	Less Than One Year
CDARS TriState Capital	1,003,366	52 Weeks
CDARS Lorain National	1,005,073	52 Weeks
<u>December 31, 2010</u>	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$2,366,823	Less Than One Year
CDARS TriState Capital	1,005,613	52 Weeks
CDARS Lorain National	1,000,108	52 Weeks

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 does not have an investment policy beyond the requirements of state statute. Ohio law 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 AAAM by Standard and Poor's. The Library has no investment policy dealing

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 5 - Deposits and Investments (Continued)

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 services.

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 6 - Property Taxes and Grants-In-Aid

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Lakewood City School District. Property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Real property tax receipts received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 and 2010 represent the collection of 2009 and 2008 taxes respectively. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2011, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2010 became lien on December 31, 2009, were levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax collections are made in 2010. 2011 Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory is zero for 2011, and zero for 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2011 and 2010, was \$3.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 and 2010 property tax receipts were based are as follows:

<u>Assessed Values</u>	<u>2011</u>	<u>2010</u>
Real Property	\$1,922,819	\$1,923,925
Public Utility Property	5,840	13,694
Tangible Personal Property	<u>402</u>	<u>1,866</u>
Total	<u>\$1,929,061</u>	<u>\$1,939,485</u>

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 6 - Property Taxes and Grants-In-Aid (Continued)

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangible 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. During 2011 and 2010, the Lakewood Public Library has obtained commercial insurance for the following risks:

- Commercial property;
- Vehicle;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability;
- Errors and Omissions, and
- Surety bonds

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

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

The Library provided health insurance to full-time employees through a private carrier.

Note 8 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 8 - Defined Benefit Pension Plan (Continued)

The Library's contribution rate for 2011 and 2010 was 14 percent and 14 percent, respectively, of covered payroll. For the period January 1, through December 31, 2011, the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 4 percent of covered payroll; for members in the Combined Plan the contribution was equal to 6.05 percent. For the period January 1, through February 28, 2010 the portion of employer contributions allocated to fund post employment health care for members in the Tradition Plan was equal to 5.5 percent, and 5 percent for the period March 1, through December 31, 2010. For the period January 1, through February 28, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Combined Plan was equal to 4.73 percent and 4.23 percent for the period March 1, through December 31, 2010. For the periods January 1, through December 31, 2011 and January 1, through December 31, 2010, the portion of employer contributions allocated to fund post employment health care for members in the Self directed Plans was equal to 4.5 percent. State statute sets a maximum contribution rate for the Library of 14 percent.

For the years ended December 31, 2011 and 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2011 and 2010 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009 were \$285,016, \$293,028, and \$323,742, respectively. The full amount has been contributed for 2011, 2010 and 2009.

Note 9 – Postemployment Benefits

Ohio Public Employees Retirement System

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

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided 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 postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

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

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 9 – Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

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

The Library's contributions allocated to fund post employment health care benefits for the years ended December 2011, 2010, and 2009 were \$208,716, \$211,427, and \$135,866, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

Note 10 – Debt

The Lakewood City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees. In 2003, the Board of Library Trustees of the Lakewood Public Library submitted to the Lakewood City School District a bond issue to be used for the building and expansion of Main Library. The School District serves as the taxing authority and issues tax related debt on behalf of the Library, although their role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Library Trustees.

With approval of the bond issue in 2003, the School District issued bonds in the amount of \$12,500,000. Because the bonds are general obligations of the City School District, the long-term obligation is excluded from the general long-term obligations of the Lakewood Public Library.

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 11 – Fund Balances

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

2011 Fund Balances	General Fund	Other Governmental Funds	Total
Restricted for:			
Art Fund	\$ 0	\$ 20,221	\$ 20,221
Edwards Endowment		286,011	286,011
Fisher Endowment		16,443	16,443
Cole Endowment		50,124	50,124
Shoemaker Endowment		171,984	171,984
LeDuke Endowment		295,517	295,517
<i>Total Restricted</i>	0	840,300	840,300
Unassigned	5,399,627	0	5,399,627
<i>Total Fund Balances</i>	<u>\$ 5,399,627</u>	<u>\$ 840,300</u>	<u>\$ 6,239,927</u>

2010 Fund Balances	General Fund	Other Governmental Funds	Total
Restricted for:			
Art Fund	\$ -	\$ 20,221	\$ 20,221
Edwards Endowment		285,851	285,851
Fisher Endowment		14,435	14,435
Cole Endowment		50,096	50,096
LeDuke Endowment		295,351	295,351
<i>Total Restricted</i>	0	665,954	665,954
Unassigned	4,728,455	0	4,728,455
<i>Total Fund Balances</i>	<u>\$ 4,728,455</u>	<u>\$ 665,954</u>	<u>\$ 5,394,409</u>

Lakewood Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2011 and December 31, 2010

Note 12 – Interfund Transfers

In 2011, the Library transferred \$171,971 from the General Fund to the newly created Horace and Agnes Shoemaker Endowment fund. In 2010, there were no interfund transfers.

Note 13 – Related Organization

The Library does not have any related organizations for which it is accountable. The Library has the following affiliated organization for which it is not accountable: Friends of Lakewood Library.



Dave Yost • Auditor of State

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

Lakewood Public Library
Cuyahoga County
15425 Detroit Avenue
Lakewood, Ohio 44107

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lakewood Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2011, and 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 15 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

November 15 2012



Dave Yost • Auditor of State

LAKWOOD PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 29, 2012