

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**





# Dave Yost • Auditor of State

Board of Trustees  
Willoughby-Eastlake Public Library  
263 East 305th Street  
Willowick, Ohio 44095

We have reviewed the *Independent Auditors' Report* of the Willoughby-Eastlake Public Library, Lake County, prepared by Neece, Malec, Seifert, & Vitaz, for the audit period January 1, 2009 through December 31, 2010. 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 Willoughby-Eastlake Public Library is responsible for compliance with these laws and regulations.

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

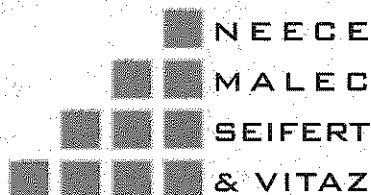
Dave Yost  
Auditor of State

July 18, 2011

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**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
FINANCIAL STATEMENTS**

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Certified Public Accountants

**Independent Auditors' Report**

To the Board of Trustees  
Willoughby-Eastlake Public Library  
Lake County  
263 East 305<sup>th</sup> St.  
Willowick, Ohio 44095

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio, (the Library) as of and for the years ended December 31, 2010 and December 31, 2009, 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 an opinion 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' *Governmental 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 that our audit provides a reasonable basis for our opinions.

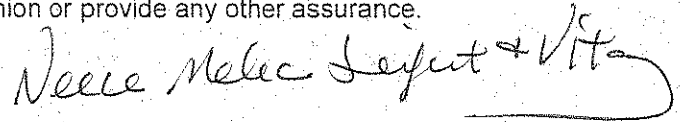
As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Willoughby-Eastlake Public Library, Lake County, Ohio as of December 31, 2010 and December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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.

To the Board of Trustees  
Willoughby-Eastlake Public Library  
Page 2

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

A handwritten signature in cursive script, reading "Neelie Melic Siefert" followed by a stylized flourish.

Mentor, Ohio  
June 28, 2011

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED**

This discussion and analysis of the Willoughby-Eastlake Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2010 and December 31, 2009, 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 2010 and 2009 are as follows:

The Library's general receipts are primarily the Public Library Fund (PLF) and Property Taxes. These receipts represent respectively 30% and 57% percent of the total cash received for governmental activities during the year of 2010 and 43% and 45% for 2009. The increase in the property tax percentage in 2010 was the result of a new 5 year 1 mill levy passed in November, 2009. In 2008, the funding basis and name of the library support fund was changed. As of January 2008, Ohio's public libraries are funded through 2.22% of the state's total general revenue tax. The new funding source broadens the basis of library funding to all General Revenue tax revenues, not just personal income tax. In addition, S.B. 185 changed the name of the Library and Local Government Support fund to Public Library Fund effective June 20, 2008. The fund is now called the Public Library Fund (PLF).

The Public Library Fund has received lower distributions in 2010 and 2009 compared to preceding periods. Some of the reduction occurred because the State lowered the distribution percentage in the current biennial budget period from 2.22% of the General Revenue Fund (GRF) taxes to 1.97% of GRF taxes. Some of reduction also occurred because GRF taxes themselves failed to perform as well as in prior periods. Lower performance of GRF taxes occurred because the Ohio economy contracted during the recession and because the State had scheduled a phase-in of tax reductions over the period from 2005 to 2010.

The Library began the Strategic Planning process early in 2008, involving community and staff focus groups. Based on the results of the process, the Library chose to concentrate services on the following five areas: connecting to the online world, creating young readers, making career choices, stimulating imagination and visiting a comfortable place. A three year plan was created, but because of budget constraints only parts of the plan that could be completed with minimal expense have been pursued.

For the most part, 2010 was a year of doing less. We started the year expecting an additional 10% decrease in state funding. By the end of the year it had leveled out to be a decrease of 6.05%. This is continuing the downward trend that began in 2008. State funding for Ohio libraries is down 22.8% since 2008.

Some expenses from 2010:

- The Friends of the Library helped us purchase a new van for delivery of materials to our buildings and to shut-ins.
- We contracted for professional technical assistance to overhaul our local computer network to increase security and usability.
- We began Time On Demand online time sheets to streamline the payroll process.
- Unexpected expenses for the removal of bats and chimney swifts at the Willoughby Library and the replacement of an electrical panel at the Willowick Library totaled near \$ 7,000.
- The living fence at the Willowick Library had to be removed when the arbor vitae suffered blight and died.



**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

2009 was a year of cutting back. State funding for Ohio libraries took a hit from the decrease in the PLF from 2.22 to 1.98 and also due to the poor economy. We, along with others, experienced a severe decrease in interest income and over 10% reduction in property taxes resulting in less levy monies. We reduced our operating expenses by 7% and our materials budget by 20%. We also reduced our hours of operation and staff took a 10% reduction of hours over a 10 week period.

Other expenses from 2009:

- 30% increase in health insurance cost
- Increase in employer share of OPERS
- We encouraged eligible staff to retire by providing an incentive. Three took advantage of this incentive.

**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 modified cash basis of accounting.

**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 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.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2010 and 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the general receipts.

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

In the statement of net assets and the statement of activities, we describe the Library's activities in the following way:

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

**Reporting the Library's Most Significant Funds**

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

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

**The Government as a Whole**

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 on a cash basis:

(Table 1) Net Asset  
Governmental Activities

	2010	2009	2008
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,205,644</u>	<u>\$ 2,032,495</u>	<u>\$ 2,129,984</u>
<b>Total Assets</b>	<u>\$ 3,205,644</u>	<u>\$ 2,032,495</u>	<u>\$ 2,129,984</u>
<b>Net Assets</b>			
Restricted for:			
Capital Projects	\$ 495,780	\$ 392,649	\$ 390,425
Special Revenue Fund	17,189	17,187	17,207
Unrestricted	<u>2,692,675</u>	<u>1,622,659</u>	<u>1,722,352</u>
<b>Total Net Assets</b>	<u>\$ 3,205,644</u>	<u>\$ 2,032,495</u>	<u>\$ 2,129,984</u>

The 2010 net assets of governmental activities increased \$1,173,149 or 58 percent. The 2009 net assets of governmental activities decreased \$ 97,489 or 5 percent. The primary reason for the decrease in 2009 was a reduction in the Public Library Fund. The increase in net assets in 2010 from 2009 was from an additional 1 mill levy passed in November, 2009.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

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

	Governmental Activities 2010	Governmental Activities 2009	Governmental Activities 2008
<b>Receipts:</b>			
Program Receipts:			
Public Service and Programs	\$ 108,468	\$ 105,142	\$ 109,396
Capital Grant	5,850	0	0
Total Program Receipts	<u>114,318</u>	<u>105,142</u>	<u>109,396</u>
<b>General Receipts:</b>			
Property Taxes	3,246,098	1,746,801	1,762,800
PLF	1,701,557	1,819,243	2,165,302
Other Intergovernmental	637,590	447,310	444,557
Unrestricted Gifts and Contributions	2,397	3,216	2,055
Interest	12,720	16,857	76,975
Miscellaneous	18,343	38,160	28,437
Total General Receipts	<u>5,618,705</u>	<u>4,071,587</u>	<u>4,480,126</u>
Total Receipts	<u>\$ 5,733,023</u>	<u>\$ 4,176,729</u>	<u>\$ 4,589,522</u>
<b>Disbursements:</b>			
Salaries and Benefits:	\$ 2,870,870	\$ 2,905,770	\$ 2,932,882
Office Supplies	60,884	53,537	73,825
Contractual Services	391,897	349,128	385,075
Library Material and Information	927,146	693,763	953,510
Building Utilities and Repairs	265,705	251,792	304,564
Building Improvements	31,305	7,300	87,953
Other	12,067	12,928	15,553
Total Disbursements	<u>4,559,874</u>	<u>4,274,218</u>	<u>4,753,362</u>
Change in Net Assets	1,173,149	(97,489)	(163,840)
Net Assets Beginning of Year	<u>2,032,495</u>	<u>2,129,984</u>	<u>2,293,824</u>
Net Assets End of Year	<u>\$ 3,205,644</u>	<u>\$ 2,032,495</u>	<u>\$ 2,129,984</u>

Program receipts represent only 2 percent of total receipts in 2010 and 2.6 percent for 2009. They are primarily composed of patron fines and fees.

General receipts represent 98 percent and 97.4 percent of the Library's total receipts for 2010 and 2009, respectively. Other receipts are insignificant revenue sources.

Disbursements for General Library represent the overhead costs of running the Library and the support services provided for the other Library activities. The cost include maintaining the four buildings, purchasing and processing of books and other materials, presenting programs for all age groups, providing internet services and providing other information related services.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public service and programs, collection development and processing, facilities operation and maintenance, information services and administration. The next column of the Statement entitled Charges for Services identifies amounts paid by people who are directly charged for the service by the Library. 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

	2010		2009		2008	
	Cost of Services Total	Net	Cost of Services Total	Net	Cost of Services Total	Net
Disbursements:						
Salaries and Benefits	\$ 2,870,870	(\$2,762,402)	\$ 2,905,770	(\$2,800,628)	\$ 2,932,882	(\$2,823,486)
Office Supplies	60,884	(60,884)	53,537	(53,537)	73,825	(73,825)
Contractual Services	391,897	(391,897)	349,128	(349,128)	385,075	(385,075)
Library Material and Information	927,146	(927,146)	693,763	(693,763)	953,510	(953,510)
Building Utilities and Repairs	265,705	(265,705)	251,792	(251,792)	304,564	(304,564)
Building Improvements	31,305	(25,455)	7,300	(7,300)	87,953	(87,953)
Other	12,067	(12,067)	12,928	(12,928)	15,553	(15,553)
Total Governmental Activities	<u>\$ 4,559,874</u>	<u>(\$4,455,556)</u>	<u>\$ 4,274,218</u>	<u>(\$ 4,169,076)</u>	<u>\$ 4,753,362</u>	<u>(\$4,643,966)</u>

The dependence upon property taxes and PLF is apparent as over 100 and 84 percent for 2010 and 2009 respectively, of governmental activities are supported through these general receipts.

**The Library's Funds**

In 2010, total Library governmental funds had receipts of \$ 5,833,023 and disbursements of \$ 4,659,874 including transfers. The greatest change within governmental funds occurred within the General Fund. General Fund receipts of \$ 5,729,890 exceeded the disbursements including transfers of \$4,659,874 resulting in an increase of the General Fund of \$ 1,070,016.

In 2009, total Library governmental funds had receipts of \$ 4,176,729 and disbursements of \$ 4,274,218. The greatest change within governmental funds occurred within the General Fund. General Fund disbursements of \$ 4,274,038 exceeded the receipts of \$ 4,174,345 resulting in a decrease of the General Fund of \$ 99,693.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2009  
UNAUDITED (CONTINUED)**

**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 2010 and 2009 amendments to the Library's General Fund budget were insignificant. Actual receipts were above the budget amount by 1.2 percent and below the budgeted amount by 4.2 percent in 2010 and 2009 respectively. Final actual disbursements were 35.3% and 26.9% percent below the amount budgeted for 2010 and 2009.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not currently keep track of its capital assets and infrastructure.

**Current Issues**

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

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Suzan Bocciarelli, Fiscal Officer, Willoughby-Eastlake Public Library, 263 East 305 Street, Willowick, Ohio 44095.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY**  
**LAKE COUNTY**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**DECEMBER 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,205,644
Total assets	\$ 3,205,644
<b>NET ASSETS</b>	
Restricted for:	
Capital Projects	\$ 495,780
Special Revenue Fund	17,189
Unrestricted	2,692,675
Total net assets	\$ 3,205,644

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts & Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Salaries and Benefits	\$ 2,870,870	\$ 108,468	\$ -	\$ (2,762,402)
Supplies	60,884	-	-	(60,884)
Contractual services	391,897	-	-	(391,897)
Library Material and Information	927,146	-	-	(927,146)
Building Utilities and Repairs	265,705	-	-	(265,705)
Capital Outlay	31,305	-	5,850	(25,455)
Other	12,067	-	-	(12,067)
<b>Total Governmental Activities</b>	<u>\$ 4,559,874</u>	<u>\$ 108,468</u>	<u>\$ 5,850</u>	<u>(4,445,556)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for		
		General Purposes		3,246,098
		Public Library Fund		1,701,557
		Other Intergovernmental		637,590
		Unrestricted Gifts and		
		Contributions		2,397
		Interest		12,720
		Miscellaneous		18,343
		<b>Total General Receipts</b>		<u>5,618,705</u>
		Changes in net assets		1,173,149
		Net assets - beginning of year		<u>2,032,495</u>
		Net assets - end of year		<u>\$ 3,205,644</u>

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



**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY**  
**LAKE COUNTY**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2010**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Computer Information Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,692,675	\$ 287,294	\$ 208,486	\$ 17,189	\$ 3,205,644
Total assets	<u>\$ 2,692,675</u>	<u>\$ 287,294</u>	<u>\$ 208,486</u>	<u>\$ 17,189</u>	<u>\$ 3,205,644</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 138,100	\$ -	\$ -	\$ -	\$ 138,100
Unreserved:					
Undesignated, Reported in:					
General Fund	2,554,575	-	-	-	2,554,575
Special Revenue Funds	-	-	-	17,189	17,189
Capital Projects Funds	-	287,294	208,486	-	495,780
Total fund balances	<u>\$ 2,692,675</u>	<u>\$ 287,294</u>	<u>\$ 208,486</u>	<u>\$ 17,189</u>	<u>\$ 3,205,644</u>

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	General	Capital Projects Fund	Computer Information Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and other local taxes	\$ 3,246,098	\$ -	\$ -	\$ -	\$ 3,246,098
Intergovernmental	637,590	-	-	-	637,590
Public library fund	1,701,557	-	-	-	1,701,557
Patron fines and fees	108,468	-	-	-	108,468
Contributions, gifts, and donations	2,397	-	-	-	2,397
Earnings on investments	9,587	1,667	1,464	2	12,720
Miscellaneous	24,193	-	-	-	24,193
<b>Total receipts</b>	<b>5,729,890</b>	<b>1,667</b>	<b>1,464</b>	<b>2</b>	<b>5,733,023</b>
<b>Disbursements</b>					
Salaries and benefits	2,870,870	-	-	-	2,870,870
Office supplies	60,884	-	-	-	60,884
Contractual services	391,897	-	-	-	391,897
Library material and information	927,146	-	-	-	927,146
Building utilities and repairs	265,705	-	-	-	265,705
Capital outlay	31,305	-	-	-	31,305
Other	12,067	-	-	-	12,067
<b>Total disbursements</b>	<b>4,559,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,559,874</b>
<b>Excess of Receipts Over Disbursements</b>	<b>1,170,016</b>	<b>1,667</b>	<b>1,464</b>	<b>2</b>	<b>1,173,149</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	75,000	25,000	-	100,000
Transfers Out	(100,000)	-	-	-	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(100,000)</b>	<b>75,000</b>	<b>25,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,070,016</b>	<b>76,667</b>	<b>26,464</b>	<b>2</b>	<b>1,173,149</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,622,659</b>	<b>210,627</b>	<b>182,022</b>	<b>17,187</b>	<b>2,032,495</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,692,675</b>	<b>\$ 287,294</b>	<b>\$ 208,486</b>	<b>\$ 17,189</b>	<b>\$ 3,205,644</b>

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

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
DECEMBER 31, 2010

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 3,402,140	\$ 3,402,140	\$ 3,246,098	\$ (156,042)
Public library fund	417,434	417,434	637,590	220,156
Intergovernmental	1,643,137	1,643,137	1,701,557	58,420
Patron fines and fees	98,450	98,450	108,468	10,018
Contributions, gifts, and donations	-	-	2,397	2,397
Earnings on investments	67,000	67,000	9,587	(57,413)
Miscellaneous	29,550	29,550	24,193	(5,357)
	5,657,711	5,657,711	5,729,890	72,179
<b>Disbursements</b>				
Salaries and benefits	3,518,970	3,531,187	2,905,395	625,792
Office supplies	240,000	244,622	60,884	183,738
Contractual services	605,000	653,629	460,947	192,682
Library material and information	1,185,500	1,249,547	961,671	287,876
Building utilities and repairs	380,000	417,485	265,705	151,780
Capital outlay	800,000	800,367	31,305	769,062
Other	382,355	367,539	12,067	355,472
	7,111,825	7,264,376	4,697,974	2,566,402
Excess of receipts over (under) disbursements	(1,454,114)	(1,606,665)	1,031,916	2,638,581
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	(100,000)	(100,000)
Net Change in Fund Balances	(1,454,114)	(1,606,665)	931,916	2,538,581
Fund Balance - Beginning of Year	1,470,103	1,470,103	1,470,103	-
Prior Year Encumbrances Appropriated	152,556	152,556	152,556	-
Fund Balances - End of Year	\$ 168,545	\$ 15,994	\$ 2,554,575	\$ 2,538,581

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY**  
**LAKE COUNTY**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**DECEMBER 31, 2009**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,032,495
Total assets	\$ 2,032,495
<b>NET ASSETS</b>	
Restricted for:	
Capital Projects	\$ 392,649
Special Revenue Fund	17,187
Unrestricted	1,622,659
Total net assets	\$ 2,032,495

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts & Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Salaries and Benefits	\$ 2,905,770	\$ 105,142	\$ -	\$ (2,800,628)
Supplies	53,537	-	-	(53,537)
Contractual Services	349,128	-	-	(349,128)
Library Material and Information	693,763	-	-	(693,763)
Building Utilities and Repairs	251,792	-	-	(251,792)
Capital Outlay	7,300	-	-	(7,300)
Other	12,928	-	-	(12,928)
<b>Total governmental activities</b>	<b>\$ 4,274,218</b>	<b>\$ 105,142</b>	<b>\$ -</b>	<b>(4,169,076)</b>
		<b>General Receipts</b>		
		Property taxes levied for general purposes		1,746,801
		Public library fund		1,819,243
		Other intergovernmental		447,310
		Unrestricted gifts and contributions		3,216
		Interest		16,857
		Miscellaneous		38,160
		<b>Total general receipts</b>		<b>4,071,587</b>
		Changes in net assets		(97,489)
		Net assets - beginning of year		2,129,984
		Net assets - end of year		<b>\$ 2,032,495</b>

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

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	General	Capital Projects Fund	Computer Information Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,622,659	\$ 210,627	\$ 182,022	\$ 17,187	\$ 2,032,495
Total assets	<u>\$ 1,622,659</u>	<u>\$ 210,627</u>	<u>\$ 182,022</u>	<u>\$ 17,187</u>	<u>\$ 2,032,495</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 152,556	\$ -	\$ -	\$ -	\$ 152,556
Unreserved:					
Undesignated, reported in:					
General Fund	1,470,103	-	-	-	1,470,103
Special Revenue Funds	-	-	-	17,187	17,187
Capital Projects Funds	-	210,627	182,022	-	392,649
Total fund balances	<u>\$ 1,622,659</u>	<u>\$ 210,627</u>	<u>\$ 182,022</u>	<u>\$ 17,187</u>	<u>\$ 2,032,495</u>

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	General	Capital Projects Fund	Computer Information Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and other local taxes	\$ 1,746,801	\$ -	\$ -	\$ -	\$ 1,746,801
Intergovernmental	447,310	-	-	-	447,310
Public library fund	1,819,243	-	-	-	1,819,243
Patron fines and fees	105,142	-	-	-	105,142
Contributions, gifts, and donations	3,216	-	-	-	3,216
Earnings on investments	14,473	1,383	841	160	16,857
Miscellaneous	38,160	-	-	-	38,160
<b>Total receipts</b>	<b>4,174,345</b>	<b>1,383</b>	<b>841</b>	<b>160</b>	<b>4,176,729</b>
<b>Disbursements</b>					
Salaries and benefits	2,905,770	-	-	-	2,905,770
Office supplies	53,537	-	-	-	53,537
Contractual services	349,128	-	-	-	349,128
Library material and information	693,583	-	-	180	693,763
Building utilities and repairs	251,792	-	-	-	251,792
Capital outlay	7,300	-	-	-	7,300
Other	12,928	-	-	-	12,928
<b>Total disbursements</b>	<b>4,274,038</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>4,274,218</b>
Excess of Receipts Over (Under) Disbursements	(99,693)	1,383	841	(20)	(97,489)
Net Change in Fund Balances	(99,693)	1,383	841	(20)	(97,489)
Fund Balances - Beginning of Year	1,722,352	209,244	181,181	17,207	2,129,984
Fund Balances - End of Year	<u>\$ 1,622,659</u>	<u>\$ 210,627</u>	<u>\$ 182,022</u>	<u>\$ 17,187</u>	<u>\$ 2,032,495</u>

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

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
LAKE COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
DECEMBER 31, 2009

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and other local taxes	\$ 1,702,632	\$ 1,702,632	\$ 1,746,801	\$ 44,169
Public library fund	415,103	415,103	447,310	32,207
Intergovernmental	2,068,358	2,068,358	1,819,243	(249,115)
Patron fines and fees	104,300	104,300	105,142	842
Contributions, gifts, and donations	-	-	3,216	3,216
Earnings on investments	50,000	50,000	14,473	(35,527)
Miscellaneous	15,000	15,000	38,160	23,160
Total receipts	<u>4,355,393</u>	<u>4,355,393</u>	<u>4,174,345</u>	<u>(181,048)</u>
<b>Disbursements</b>				
Salaries and benefits	3,417,000	3,443,427	2,943,113	500,314
Office supplies	100,000	104,550	53,537	51,013
Contractual services	551,200	575,088	386,470	188,618
Library material and information	1,107,000	1,134,076	768,269	365,807
Building utilities and repairs	415,000	444,899	251,792	193,107
Capital outlay	200,000	200,000	7,300	192,700
Other	147,534	147,534	12,928	134,606
Total disbursements	<u>5,937,734</u>	<u>6,049,574</u>	<u>4,423,409</u>	<u>1,626,165</u>
Excess of receipts over disbursements	<u>(1,582,341)</u>	<u>(1,694,181)</u>	<u>(249,064)</u>	<u>1,445,117</u>
Net Change in Fund Balances	(1,582,341)	(1,694,181)	(249,064)	1,445,117
Fund Balance - Beginning of Year	1,579,161	1,579,161	1,579,161	-
Prior Year Encumbrances Appropriated	140,006	140,006	140,006	-
Fund Balances - End of Year	<u>\$ 136,826</u>	<u>\$ 24,986</u>	<u>\$ 1,470,103</u>	<u>\$ 1,445,117</u>

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



**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

The Willoughby-Eastlake Public Library, Lake County, Ohio (the "Library") was organized as a school district public library in 1906 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Ohio 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 purposes(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 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 Willoughby-Eastlake 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 organizations' 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 Willoughby-Eastlake Public Library has no component units.

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

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

As discussed further in Note 2.C, *the* financial statements of the Willoughby-Eastlake Public Library have been prepared on a modified 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.

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 and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. The statement of net assets presents the cash and investment balances, of the governmental activities of the Library at year end. Governmental activities generally are financed through taxes and intergovernmental receipts.

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 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. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

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 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 are the Library's major governmental funds:

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

Capital Projects Fund - The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

Computer Information Fund - The computer information fund accounts for monies set aside by the Board of Library Trustees specifically for computer technology system upgrades and enhancements.

The other governmental fund of the Library accounts for monies expended under the provision of a will.

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.

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 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 major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

E. Cash and Cash Equivalents

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

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

During 2010 and 2009, investments were limited to Federal Home Loan Mortgage Corporation Note, Federal Home Loan Bank Note, interest bearing checking accounts with Charter One Bank and Fifth Third Bank, STAR Ohio and nonnegotiable certificates of deposit. Except for the checking accounts and STAR Ohio these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 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, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund amounted to \$ 9,587, \$ 1,667 to the Capital Projects Fund, \$ 1,464 to the Computer Information Fund, and \$ 2 to the Worrallo Trust Fund for 2010 and \$ 14,473 to the General Fund, \$ 1,383 to the Capital Projects Fund, \$ 841 to the Computer Information Fund and \$ 160 to the Worrallo Trust Fund for 2009.

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. Restricted assets represent encumbrances and the portion of the Worrallo Fund which is nonexpendable.

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.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transfers

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods 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.

The Library had interfund transfers of \$ 25,000 to the Computer Information Fund and \$ 75,000 to the Capital Projects Fund from the General Fund in 2010. The Library had no interfund transfers in 2009.

**Note 3 - Accountability and Compliance**

A. Accountability

There were no deficit fund balances/net assets as of December 31, 2010 and December 31, 2009.

B. Compliance

There were no known compliance issues as of December 31, 2010 and December 31, 2009.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$ 138,100 and \$ 152,556 for the General Fund for 2010 and 2009, respectively.

**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 marked to market daily, and the term of the agreement must not exceed thirty days;
4. Time certificates of deposit including CDARS or savings or deposit accounts including, but not limited to, passbook accounts;
5. The State Treasurer's investment pool (STAR Ohio).

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 5 - Deposits and Investments (Continued)**

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

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

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investment 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, the Library had \$ 700 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2010 and 2009, the Library had book balances of \$ 2,456,333 and \$ 1,285,768, respectively. Of the Library's bank balance of \$ 2,540,234 in 2010 and \$ 1,370,375 in 2009, respectively \$ 1,207,977 in 2010 and \$ 302,886 in 2009 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized, except as described in the following paragraph. Although the securities were held by the pledging institution's 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 the 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 must be at least one hundred five percent of the deposits being secured.

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$ 350,830	16 months
STAR Ohio	397,781	55 day average
Total Investments	<u>\$ 748,611</u>	

The weighted average maturity is 8.9 months.

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

As of December 31, 2009, the Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$ 248,682	3 months
STAR Ohio	<u>497,345</u>	55 day average
Total Investments	<u>\$ 746,027</u>	

The weighted average maturity is 2.4 months.

*Interest Rate Risk:* Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investments be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term goals, thereby avoiding the need to sell securities prior to maturity, and by investing operating funds primarily in short-term investments.

*Credit Risk:* The Library's investments were rated AAA by Moody Investor Services and STAR Ohio is rated AAAM by Standards & Poors.

*Custodial Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

*Concentration of Risk:* The Library places no limit on the amount that may be invested in any one issuer. The investments in Star Ohio and FHLMC represent 53% and 47% respectively, in 2010. The Library investments in Star Ohio and FHLB represent 67%, and 33%, respectively in 2009.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Willoughby-Eastlake School District. Real property tax receipts received in 2010 (2009) for real and public utility property taxes represent collections of 2009 (2008) taxes. 2010 (2009) real property taxes are levied after October 1, 2009 (2008), on the assessed values as of January 1, 2009 (2008), the lien date. Assessed values are established by State law 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 later payment dates to be established.

Public utility property tax receipts received in 2010 (2009) represent the collection of 2009 (2008) taxes. Public utility real and tangible personal property taxes received in 2010 (2009) became a lien on December 31, 2009 (2008), were levied after October 1, 2009 (2008), and are collected 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.

2010 (2009) tangible personal property taxes are levied after October 1, 2009 (2008), on the value as of December 31, 2009 (2008). Collections are made in 2010 (2009). Tangible personal property assessments are being phased out - the assessment percentage for all property including inventory for 2009 is 12.5 percent. This will be reduced to 6.25 percent for 2010, and zero for 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 3, with the remainder due September 20.



**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

The full tax rate for all Library operations for the year ended December 31, 2010 was \$ 2.30 per \$ 1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$ 1,168,898,970
Commercial/Industrial/Mineral	467,383,630
Public Utility Property General	101,712,780
Tangible Personal Property	<u>1,443,280</u>
Total Assessed Value	<u>\$ 1,739,438,660</u>

The full tax rate for all Library operations for the year ended December 31, 2009 was \$ 1.30 per \$ 1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$ 1,295,440,290
Commercial/Industrial/Mineral	453,313,590
Public Utility Property General	97,058,230
Tangible Personal Property	<u>2,886,560</u>
Total Assessed Value	<u>\$ 1,848,698,670</u>

**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 2010 and 2009, the Library contracted with companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Ohio Casualty/Indiana Insurance	Commercial Property	\$ 5,975,000
	General Liability	\$ 2,000,000
	Umbrella	\$ 3,000,000
	Valuable Papers	\$ 4,910,000
	Computer	\$ 122,500
	Inland Marine	
Chubb Group of Insurance	Vehicle	\$ 1,000,000
	Error and Omissions	\$ 1,000,000/3,000,000
Westfield Insurance	Library Officials	
	Fidelity and Deposit	\$ 100,000
	Flood	\$ 50,000

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

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

**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**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, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations for 2010 and 2009 respectively. For calendar year 2010 and 2009 the employer pension contribution rate was 14 percent of covered payroll. The Library contributes 2% of the regular employee's member share.

The Library's required contributions for pension obligations to the traditional, combined and member directed plans for the years ended December 31, 2010, 2009, and 2008 were \$ 352,592, \$ 351,059 and \$ 360,340 respectively; the full amount has been contributed for 2010, 2009, and 2008.

**Note 9 - Postemployment Benefits**

OPERS maintains a cost-sharing multiple employer defined post-employment healthcare plan. For qualifying members of the Traditional Pension and Combined Plans, this plan includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement. Those belonging to the Member-Direct 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 for disability benefit recipients and qualified survivor benefit recipients is available. The healthcare 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.

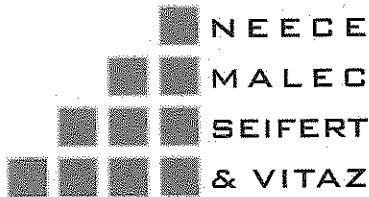
**WILLOUGHBY-EASTLAKE PUBLIC LIBRARY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**Note 9 - Postemployment Benefits (Continued)**

The Ohio Revised Code provides 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 benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, local government employer units contributed 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. 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, OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to health care for members in the traditional plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the combined plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The portion of employer contribution allocated to health care for members was 7.0% from January 1 through March 31, 2010 and 5.5% from April 1 through December 31, 2010.



*Certified Public Accountants*

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

To the Board of Trustees  
Willoughby-Eastlake Public Library  
Lake County  
263 East 305<sup>th</sup> St.  
Willowick, Ohio 44095

We have audited the financial statements of the governmental activities and each major fund of the Willoughby-Eastlake Public Library, Lake County, Ohio (the Library) as of and for the years ended December 31, 2010 and December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 28, 2011, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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 auditing procedures for the expressing our opinion on the financial statements, but not to opine 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 a 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 would not necessarily identify all internal control deficiencies that might be 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.

To the Board of Trustees  
Willoughby-Eastlake Public Library  
Page 2

### Compliance And Other Matters

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

This report is intended solely for the information and use of the Audit Committee, management, and the Library Board of Trustees. We intend it for no one other than these specified parties.

*Neece Melec Siefert & Vittor*

Mentor, Ohio  
June 28, 2011

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# Dave Yost • Auditor of State

WILLOUGHBY-EASTLAKE PUBLIC LIBRARY

LAKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 28, 2011