



Dave Yost • Auditor of State



**EUCLID PUBLIC LIBRARY  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Euclid Public Library  
Cuyahoga County  
631 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

To the Board of Trustees:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Euclid Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2014 and December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Euclid Public Library, Cuyahoga County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Supplemental and Other Information*

We applied no procedures to the Management's Discussion & Analysis presented on pages 4-9 of the report, and accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



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

September 22, 2015

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2014*  
*Unaudited*

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The management's discussion and analysis of the Euclid Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2014, within the limitations of the Library's cash basis of 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 2014 are as follows:

- During 2014, the residents passed a 5.6 mill, renewal five year operating levy. The levy will bring in \$3,286,301 annually.
- 2014 disbursements were less than 2013 disbursements due to less capital projects continuing in 2014.
- The Library's revenue decreased compared to 2013 due in large part to the Library receiving less monies due to decreases in funding from the Public Library Fund.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2014*  
*Unaudited*

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**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 the financial statements on a cash basis of accounting. This approach 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 position and the statement of activities reflect how the Library did financially during 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees 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 non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, and the need for continued growth in the major local revenue sources such as property taxes and Public Library Fund (PLF).

In the statement of net position 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 the library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2014*  
*Unaudited*

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

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted use funds are being spent for their intended purposes. 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's major governmental funds are the general fund and the building fund. The Library has no non-major funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

	Governmental Activities		
	2014	2013	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,013,228	\$4,529,399	(\$516,171)
<b>Net Position</b>			
Unrestricted	\$4,013,228	\$4,529,399	(\$516,171)

**Euclid Public Library**  
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*Management's Discussion and Analysis*  
*For the Year December 31, 2014*  
*Unaudited*

Table 2 reflects the changes in net position in 2014 compared to 2013 on a cash basis:

(Table 2)  
**Changes in Net Position**

	Governmental Activities		
	2014	2013	Change
<b>Receipts:</b>			
<i><b>Program Receipts</b></i>			
Charges for Services and Sales	\$98,903	\$104,738	(\$5,835)
<i><b>General Receipts</b></i>			
Property Taxes	1,964,962	1,969,362	(4,400)
Grants and Entitlements Not Restricted to Specific Programs	1,977,379	2,012,832	(35,453)
Unrestricted Contributions and Donations	151	16,703	(16,552)
Interest	13,006	10,089	2,917
Miscellaneous	31,504	45,752	(14,248)
<i>Total General Receipts</i>	<u>3,987,002</u>	<u>4,054,738</u>	<u>(67,736)</u>
<i>Total Receipts</i>	<u>4,085,905</u>	<u>4,159,476</u>	<u>(73,571)</u>
<b>Disbursements:</b>			
Current:			
General Library Services	4,435,560	4,230,642	(204,918)
Capital Outlay	166,516	1,140,564	974,048
<i>Total Disbursements</i>	<u>4,602,076</u>	<u>5,371,206</u>	<u>769,130</u>
Excess of Receipts over Disbursements	(516,171)	(1,211,730)	695,559
Net Position Beginning of Year	<u>4,529,399</u>	<u>5,741,129</u>	<u>(1,211,730)</u>
Net Position End of Year	<u><u>\$4,013,228</u></u>	<u><u>\$4,529,399</u></u>	<u><u>(\$516,171)</u></u>

Property taxes and intergovernmental receipts in 2014 are 96.49 percent of total receipts. Grants and entitlements decreased, primarily due to decreases in funding for the Public Library Fund. Contributions and donations decreased due to fewer donations received from supporters. Earnings on investments increased during 2014.

Disbursements for general library services represent the costs of running the Library. Disbursements for capital outlay represents costs for capital projects for the Library. Total disbursements decreased in 2014 mainly due to the Library spending less to complete capital projects.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next column of the Statement, entitled Program Cash Receipts, identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$4,435,560	\$4,336,657	\$4,230,642	\$4,125,904
Capital Outlay	166,516	166,516	1,140,564	1,140,564
<i>Total Disbursements</i>	\$4,602,076	\$4,503,173	\$5,371,206	\$5,266,468

**The Library's Funds**

Total governmental funds had receipts in 2014 of \$4,085,905, and disbursements of \$4,602,076. The fund balance of the general fund decreased \$434,064 in 2014, primarily due to the decreased amount of monies from the Public Library Fund, fewer amounts for contributions and donations and an increase in insurance costs. The fund balance of the building fund decreased \$82,107 in 2014.

**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 calendar year 2014, the Library's general fund budget was stable. Final disbursements for 2014 were budgeted at \$4,778,572, while actual disbursements were \$4,611,153. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2014*  
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**Debt Administration**

At December 31, 2014, the Library had no debt obligations.

**Current Issues**

The challenge for all Ohio Libraries is to provide quality services to meet public demands while staying within the restrictions of State funding. The Library relies heavily on property taxes and the PLF revenue. Even though the Library has stable funds, it is dependent on funding from the State to remain in this position.

**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 David Piskac, Fiscal Officer, Euclid Public Library, 631 East 222<sup>nd</sup> Street, Euclid, Ohio 44123.

**Euclid Public Library**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2014*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,013,228</u>
<b>Net Position</b>	
Unrestricted	<u>\$4,013,228</u>

See accompanying notes to the basic financial statements



**Euclid Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2014*

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$3,356,516</u>	<u>\$656,712</u>	<u>\$4,013,228</u>
<b>Fund Balances</b>			
Assigned	\$91,184	\$656,712	\$747,896
Unassigned	<u>3,265,332</u>	<u>0</u>	<u>3,265,332</u>
<i>Total Fund Balances</i>	<u>\$3,356,516</u>	<u>\$656,712</u>	<u>\$4,013,228</u>

See accompanying notes to the basic financial statements

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

	General	Building Fund	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,964,962	\$0	\$1,964,962
Intergovernmental	1,977,379	0	1,977,379
Patron Fines and Fees	98,903	0	98,903
Contributions and Donations	151	0	151
Earnings on Investments	13,006	0	13,006
Miscellaneous	31,504	0	31,504
<i>Total Receipts</i>	<u>4,085,905</u>	<u>0</u>	<u>4,085,905</u>
<b>Disbursements</b>			
Current:			
General Library Services	4,435,560	0	4,435,560
Capital Outlay	84,409	82,107	166,516
<i>Total Disbursements</i>	<u>4,519,969</u>	<u>82,107</u>	<u>4,602,076</u>
<i>Net Change in Fund Balances</i>	(434,064)	(82,107)	(516,171)
<i>Fund Balances Beginning of Year</i>	<u>3,790,580</u>	<u>738,819</u>	<u>4,529,399</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,356,516</u></u>	<u><u>\$656,712</u></u>	<u><u>\$4,013,228</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,122,012	\$2,122,012	\$1,964,962	(\$157,050)
Intergovernmental	1,679,273	1,679,273	1,977,379	298,106
Patron Fines and Fees	166,864	166,864	98,903	(67,961)
Contributions and Donations	2,130	2,130	151	(1,979)
Earnings on Investments	22,160	22,160	13,006	(9,154)
Miscellaneous	97,032	97,032	31,504	(65,528)
<i>Total Receipts</i>	<i>4,089,471</i>	<i>4,089,471</i>	<i>4,085,905</i>	<i>(3,566)</i>
<b>Disbursements</b>				
Current:				
General Library Services	4,680,046	4,680,046	4,526,744	153,302
Capital Outlay	98,526	98,526	84,409	14,117
<i>Total Disbursements</i>	<i>4,778,572</i>	<i>4,778,572</i>	<i>4,611,153</i>	<i>167,419</i>
<i>Net Change in Fund Balance</i>	<i>(689,101)</i>	<i>(689,101)</i>	<i>(525,248)</i>	<i>163,853</i>
<i>Fund Balance Beginning of Year</i>	<i>3,667,395</i>	<i>3,667,395</i>	<i>3,667,395</i>	<i>0</i>
Prior Year Encumbrances Appropriated	123,185	123,185	123,185	0
<i>Fund Balance End of Year</i>	<i>\$3,101,479</i>	<i>\$3,101,479</i>	<i>\$3,265,332</i>	<i>\$163,853</i>

See accompanying notes to the basic financial statements

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**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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

The Euclid Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Euclid City School District’s 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, 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 Euclid City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the 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 School District.

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 Euclid City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. The Library does not have any component units.

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

## Euclid Public Library

### Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

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

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

The statement of net position present the cash balances of the governmental activities of the Library at year-end. The statement of activities compare 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. 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. Non-major funds are aggregated and presented in a single column.

#### ***Fund Accounting***

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

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds.

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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*Building Fund* - The building fund accounts for and reports revenues derived from Board approved transfers from the general fund. These monies are unrestricted and have been assigned to major capital and technology improvements.

***Basis of Accounting***

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

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

***Budgetary Process***

All funds are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed. Prior to December 31, the Board requested and received an amended certificate in which estimated revenue reflects actual revenue for the year.

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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***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 in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2014, investments were limited to STAR Ohio Plus nonnegotiable certificates of deposit. Nonnegotiable certificates of deposits are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2014 amounted to \$13,006, \$2,128 of which was allocated from other Library funds.

***Inventory and Prepaids***

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

***Capital Assets***

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

***Accumulated Leave***

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

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

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

## Euclid Public Library

### Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2014

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#### ***Net Position***

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

#### ***Fund Balance***

Fund balance is divided into four 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:

***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 the Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 3 – 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. At year end, \$91,184 was assigned due to general library services in the general fund and the remaining \$3,265,332 was unassigned for a total general fund balance of \$3,356,516. At year end, the building fund had an assigned balance of \$656,712.

**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 restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2013 (budgetary basis), amounted to \$91,184.

**Note 5 – Deposits and Investments**

Monies held by the Library are classified by State statute into three categories.

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

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

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

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

## Euclid Public Library

### Cuyahoga County

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2014*

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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).

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.

#### ***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$750,505 of the Library's bank balance of \$4,041,997 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit 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 credit 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.

***Interest Rate Risk*** The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

**Note 6 – Property Taxes**

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

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2014, was \$4.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property	\$567,767,480
Public Utility Property	<u>19,072,000</u>
 Total Assessed Value	 <u>\$586,839,480</u>

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

**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 2014, the Library contracted with companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Ohio Plan Risk Management	Commercial Property	\$8,411,316
	General Liability	\$2,000,000/\$4,000,000
	Valuable Papers/Library Materials	\$6,489,000
	Automobile	\$2,000,000
	Errors and Omissions	\$2,000,000/\$4,000,000
	Inland Marine	\$475,000
	Crime	\$10,000
Travelers Insurance Co.	Library Officials	\$50,000 each
	Fiscal Officer Bond	\$50,000

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
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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.

**Note 8 – Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2014, member and employer contribution rates were consistent across all three plans.

The Library's 2014 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2 percent as of 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent as of 2012 (latest information available). Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013 and 2012 were \$281,786, \$297,385, and \$232,671, respectively. The full amount has been contributed for 2013, 2012 and 2011. Contributions to the Member-Directed Plan for 2014 were \$8,101 made by the Library and \$5,787 made by plan members.

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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**Note 9 – Postemployment Benefits**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

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 for members in the Traditional Plan was 2 percent as of 2014.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$46,964, \$22,876, and \$93,068, respectively. The full amount has been contributed for 2014, 2013 and 2012.

**Euclid Public Library**  
**Cuyahoga County**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2014*

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The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
*Unaudited*

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The management's discussion and analysis of the Euclid Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2013, within the limitations of the Library's cash basis of 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 2013 are as follows:

- 2013 disbursements are greater than 2012 disbursements due to additional capital projects continuing in 2013 as well as increased costs in operations.
- The Library's revenue decreased compared to 2012 due in large part to the Library receiving less monies due to decreases in property tax collections due to decreases in assessed valuations.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
*Unaudited*

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**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 the financial statements on a cash basis of accounting. This approach 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 position and the statement of activities reflect how the Library did financially during 2013, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees 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 non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, and the need for continued growth in the major local revenue sources such as property taxes and Public Library Fund (PLF).

In the statement of net position 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 the library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
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**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 restricted use funds are being spent for their intended purposes. 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column titled Other Governmental Funds. The Library's major governmental funds are the general fund and the building fund. The Library has no non-major funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

	Governmental Activities		
	2013	2012	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,529,399	\$5,741,129	(\$1,211,730)
<b>Net Position</b>			
Unrestricted	\$4,529,399	\$5,741,129	(\$1,211,730)

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
*Unaudited*

Table 2 reflects the changes in net position in 2013 compared to 2012 on a cash basis:

(Table 2)  
**Changes in Net Position**

	Governmental Activities		
	2013	2012	Change
<b>Receipts:</b>			
<i><b>Program Receipts</b></i>			
Charges for Services and Sales	\$104,738	\$118,864	(\$14,126)
<i><b>General Receipts</b></i>			
Property Taxes	1,969,362	2,598,921	(629,559)
Grants and Entitlements Not Restricted to Specific Programs	2,012,832	1,981,049	31,783
Unrestricted Contributions and Donations	16,703	50,507	(33,804)
Interest	10,089	12,792	(2,703)
Miscellaneous	45,752	19,055	26,697
<i><b>Total General Receipts</b></i>	<u>4,054,738</u>	<u>4,662,324</u>	<u>(607,586)</u>
<i><b>Total Receipts</b></i>	<u>4,159,476</u>	<u>4,781,188</u>	<u>(621,712)</u>
<b>Disbursements:</b>			
Instruction:			
General Library Services	4,230,642	4,478,727	248,085
Capital Outlay	1,140,564	178,646	(961,918)
<i><b>Total Disbursements</b></i>	<u>5,371,206</u>	<u>4,657,373</u>	<u>(713,833)</u>
Excess of Receipts over Disbursements	(1,211,730)	123,815	(1,335,545)
Net Position Beginning of Year	<u>5,741,129</u>	<u>5,617,314</u>	<u>123,815</u>
Net Position End of Year	<u><u>\$4,529,399</u></u>	<u><u>\$5,741,129</u></u>	<u><u>(\$1,211,730)</u></u>

Property taxes and intergovernmental receipts in 2013 are 95.74 percent of total receipts. Property taxes decreased, primarily due to a large decrease in assessed valuations. Contributions and donations decreased due to fewer donations received from supporters. Earnings on investments decreased during 2013, due to lower interest rates.

Disbursements for general library services represent the costs of running the Library. These disbursements decreased in 2013 mainly due to the Library spending more to complete capital projects.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
*Unaudited*

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next column of the Statement, entitled Program Cash Receipts, identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$4,230,642	\$4,125,904	\$4,478,727	\$4,359,863
Capital Outlay	1,140,564	1,140,564	178,646	178,646
<i>Total Disbursements</i>	<u>\$5,371,206</u>	<u>\$5,266,468</u>	<u>\$4,657,373</u>	<u>\$4,538,509</u>

**The Library's Funds**

Total governmental funds had receipts in 2013 of \$4,159,476, and disbursements of \$5,371,206. The fund balance of the general fund decreased \$166,593 in 2013, primarily due to the decreased amount of property taxes collected as well as fewer amounts for contributions and donations. The fund balance of the building fund decreased \$1,045,137 in 2013, primarily due to continued capital outlay projects within the Library.

**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 calendar year 2013, the Library's general fund budget was stable. Final disbursements for 2013 were budgeted at \$4,553,735, while actual disbursements were \$4,433,754. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Euclid Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2013*  
*Unaudited*

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**Debt Administration**

At December 31, 2013, the Library had no debt obligations.

**Current Issues**

The challenge for all Ohio Libraries is to provide quality services to meet public demands while staying within the restrictions of State funding. The Library relies heavily on property taxes and the PLF revenue. Even though the Library has stable funds, it is dependent on funding from the State to remain in this position.

**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 David Piskac, Fiscal Officer, Euclid Public Library, 631 East 222<sup>nd</sup> Street, Euclid, Ohio 44123.

**Euclid Public Library**  
**Cuyahoga County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,529,399</u>
<b>Net Position</b>	
Unrestricted	<u>\$4,529,399</u>

See accompanying notes to the basic financial statements

**Euclid Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Governmental Activities
<b>Governmental Activities</b>			
General Library Services	\$4,230,642	\$104,738	(\$4,125,904)
Capital Outlay	1,140,564	0	(1,140,564)
<i>Total Governmental Activities</i>	<u>\$5,371,206</u>	<u>\$104,738</u>	<u>(5,266,468)</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			1,969,362
Grants and Entitlements not Restricted to Specific Programs			2,012,832
Unrestricted Contributions and Donations			16,703
Interest			10,089
Miscellaneous			45,752
<i>Total General Receipts</i>			<u>4,054,738</u>
Change in Net Position			(1,211,730)
<i>Net Position Beginning of Year</i>			<u>5,741,129</u>
<i>Net Position End of Year</i>			<u>\$4,529,399</u>

See accompanying notes to the basic financial statements

**Euclid Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2013*

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$3,790,580</u>	<u>\$738,819</u>	<u>\$4,529,399</u>
<b>Fund Balances</b>			
Assigned	\$123,185	\$738,819	\$862,004
Unassigned	<u>3,667,395</u>	<u>0</u>	<u>3,667,395</u>
<i>Total Fund Balances</i>	<u>\$3,790,580</u>	<u>\$738,819</u>	<u>\$4,529,399</u>

See accompanying notes to the basic financial statements

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

	General	Building Fund	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$1,969,362	\$0	\$1,969,362
Intergovernmental	2,012,832	0	2,012,832
Patron Fines and Fees	104,738	0	104,738
Contributions and Donations	16,703	0	16,703
Earnings on Investments	10,089	0	10,089
Miscellaneous	45,752	0	45,752
<i>Total Receipts</i>	<u>4,159,476</u>	<u>0</u>	<u>4,159,476</u>
<b>Disbursements</b>			
Current:			
General Library Services	4,230,642	0	4,230,642
Capital Outlay	79,927	1,060,637	1,140,564
<i>Total Disbursements</i>	<u>4,310,569</u>	<u>1,060,637</u>	<u>5,371,206</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(151,093)</u>	<u>(1,060,637)</u>	<u>(1,211,730)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	15,500	15,500
Transfers Out	(15,500)	0	(15,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(15,500)</u>	<u>15,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(166,593)	(1,045,137)	(1,211,730)
<i>Fund Balances Beginning of Year</i>	<u>3,957,173</u>	<u>1,783,956</u>	<u>5,741,129</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,790,580</u></u>	<u><u>\$738,819</u></u>	<u><u>\$4,529,399</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,823,447	\$1,895,315.00	\$1,969,362	\$74,047
Intergovernmental	1,928,583	2,004,594	2,012,832	8,238
Patron Fines and Fees	119,325	124,028	104,738	(19,290)
Contributions and Donations	20,275	21,074	16,703	(4,371)
Earnings on Investments	12,000	12,473	10,089	(2,384)
Miscellaneous	18,900	19,645	45,752	26,107
<i>Total Receipts</i>	<u>3,922,530</u>	<u>4,077,129</u>	<u>4,159,476</u>	<u>82,347</u>
<b>Disbursements</b>				
Current:				
General Library Services	4,302,225	4,465,287	4,353,827	111,460
Capital Outlay	88,448	88,448	79,927	8,521
<i>Total Disbursements</i>	<u>4,390,673</u>	<u>4,553,735</u>	<u>4,433,754</u>	<u>119,981</u>
<i>Excess of Receipts Under Disbursements</i>	(468,143)	(476,606)	(274,278)	202,328
<b>Other Financing Uses</b>				
Transfers Out	(15,500)	(15,500)	(15,500)	0
<i>Net Change in Fund Balance</i>	(483,643)	(492,106)	(289,778)	202,328
<i>Fund Balance Beginning of Year</i>	3,827,574	3,827,574	3,827,574	0
Prior Year Encumbrances Appropriated	129,599	129,599	129,599	0
<i>Fund Balance End of Year</i>	<u>\$3,473,530</u>	<u>\$3,465,067</u>	<u>\$3,667,395</u>	<u>\$202,328</u>

See accompanying notes to the basic financial statements

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**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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

The Euclid Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Euclid City School District’s 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, 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 Euclid City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the 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 School District.

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 Euclid City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization’s governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization’s resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. The Library does not have any component units.

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

## Euclid Public Library

### Cuyahoga County

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

The statement of net position present the cash balances of the governmental activities of the Library at year-end. The statement of activities compare 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. 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. Non-major funds are aggregated and presented in a single column.

#### ***Fund Accounting***

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

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds.

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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*Building Fund* - The building fund accounts for and reports revenues derived from Board approved transfers from the general fund. These monies are unrestricted and have been assigned to major capital and technology improvements.

***Basis of Accounting***

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

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

***Budgetary Process***

All funds are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed. Prior to December 31, the Board requested and received an amended certificate in which estimated revenue reflects actual revenue for the year.

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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***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 in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

During 2013, investments were limited to STAR Ohio Plus nonnegotiable certificates of deposit. Nonnegotiable certificates of deposits are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2013 amounted to \$10,089, \$1,646 of which was allocated from other Library funds.

***Inventory and Prepaids***

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

***Capital Assets***

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

***Accumulated Leave***

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

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

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits.

## Euclid Public Library

### Cuyahoga County

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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#### ***Net Position***

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

#### ***Fund Balance***

Fund balance is divided into four 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:

***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 the Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

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**Note 3 – Changes in Accounting Principles**

For year 2013, the Library has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus.”

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the Library’s fiscal year 2013; however, there was no effect on beginning net position/fund balance.

**Note 4 – 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. At year end, \$123,185 was assigned due to general library services in the general fund and the remaining \$3,667,395 was unassigned for a total general fund balance of \$3,790,580. At year end, the building fund had an assigned balance of \$738,819.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2013 (budgetary basis), amounted to \$123,185.

**Note 6 – Deposits and Investments**

Monies held by the Library are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

## Euclid Public Library

### Cuyahoga County

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2013*

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Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

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

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.

### ***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,805,643 of the Library's bank balance of \$4,555,643 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

**Euclid Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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The Library has no deposit policy for custodial credit 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.

**Interest Rate Risk** The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2013, was \$4.00 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Real Property	\$569,045,550
Public Utility Property	18,209,200
Total Assessed Values	<u>\$587,254,750</u>

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

**Note 8 – 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 2013, the Library contracted with companies for various types of insurance coverage as follows:

**Euclid Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013*

Company	Type of Coverage	Amount of Coverage
Ohio Plan Risk Management	Commercial Property	\$8,411,316
	General Liability	\$2,000,000/\$4,000,000
	Valuable Papers/Library Materials	\$6,740,000
	Automobile	\$2,000,000
	Errors and Omissions	\$2,000,000/\$4,000,000
	Inland Marine	\$475,000
	Crime	\$10,000
Travelers Insurance Co.	Library Officials	\$50,000 each
	Fiscal Officer Bond	\$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.

**Note 9 – Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

## **Euclid Public Library**

### **Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2013*

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The Library's 2013 contribution rate was 14 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1 percent as of 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent as of 2012 (latest information available). Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$297,385, \$232,671 and \$230,662, respectively. The full amount has been contributed for 2013, 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$11,728 made by the Library and \$8,377 made by plan members.

#### **Note 10 – Postemployment Benefits**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

**Euclid Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2013*

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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 for members in the Traditional Plan was 1 percent as of 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent as of 2012 (latest information available).

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$22,876, \$93,068 and \$92,265, respectively. The full amount has been contributed for 2013, 2012 and 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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# Dave Yost • Auditor of State

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

Euclid Public Library  
Cuyahoga County  
631 East 222<sup>nd</sup> Street  
Euclid, Ohio 44123

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the major funds of the Euclid Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2014 and December 31, 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 22, 2015.

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

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

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

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

### ***Compliance and Other Matters***

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

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

***Purpose of this Report***

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

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

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

September 22, 2015



# Dave Yost • Auditor of State

**EUCLID 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  
OCTOBER 13, 2015**