

**SHAKER HEIGHTS PUBLIC LIBRARY**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Shaker Heights Public Library  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

We have reviewed the *Independent Accountant's Report* of the Shaker Heights Public Library, Cuyahoga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 24, 2007

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**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant's Report	1-2
Management's Discussion and Analysis	3-8
Statement of Net Assets - Modified Cash Basis - December 31, 2006	9
Statement of Activities - Modified Cash Basis for the Year ended December 31, 2006	10
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2006	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - December 31, 2006	12
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds - December 31, 2006	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - for the Year ended December 31, 2006	14
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund - for the Year ended December 31, 2006	15
Statement of Net Assets - Modified Cash Basis - December 31, 2005	16
Statement of Activities - Modified Cash Basis for the Year ended December 31, 2005	17
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2005	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - December 31, 2005	19
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds - December 31, 2005	20

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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---

TABLE OF CONTENTS

	<u>PAGE</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - for the Year ended December 31, 2005	21
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund - for the Year ended December 31, 2005	22
Notes to the Financial Statements	23-38
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT**

Board of Trustees  
Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1B, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis and reserves for encumbrances financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of December 31, 2006 and December 31, 2005, and the revenues it received and expenditures it paid and the respective changes in modified cash basis financial position and the budgetary comparison for the General Fund for the years then ended on the basis of accounting described in Note 1.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

August 23, 2007



**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED**

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Library's modified 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 2006 are as follow:

- Net assets of governmental activities decreased \$255,058 (or 18.3 percent), a significant change from the prior year. The decrease in net assets was primarily due to expenditures for capital outlays, which included replacement computers, new carpeting for the Main library, and a new library truck.
- The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 94.57 percent of the total cash received during the year. Property taxes and the Library and Local Government Support Fund ("LLGSF") tax receipts for 2006 changed very little compared to 2005 due to stable tax rates and collections, and due to a freeze of the LLGSF by the Ohio Government.

Key highlights for 2005 are as follow:

- Net assets of governmental activities increased \$79,492 (or 6.05 percent), a minor change from the prior year. The increase in net assets was primarily due to decreased expenditures for capital outlays and personnel vacancies.
- The Library's general receipts are primarily property taxes and intergovernmental revenue. These receipts represent 95.10 percent of the total cash received during the year. Property taxes and the Library and Local Government Support Fund ("LLGSF") tax receipts for 2005 changed very little compared to 2004 due to stable tax rates and collections, and due to a freeze of the LLGSF by the Ohio Government.
- On May 2, 2005, the Library hired Mr. Luren Dickinson to serve as the Library's new Director.
- The Library started participating in the USAC Schools and Libraries Division E-Rate program. Under the E-Rate program, the Library receives significant discounts (50) percent, on telecommunication services on a fiscal year basis.

**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 modified cash basis of accounting.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED  
(CONTINUED)**

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*Report Components*

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular 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.

*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 modified cash basis of accounting. This approach is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED  
(CONTINUED)**

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**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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 modified 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 LLGSF.

In the statement of net assets and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and the library materials and information. These services are primarily funded by property taxes and LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that 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

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
 UNAUDITED  
 (CONTINUED)**

in a single column titled Other Governmental Funds. The Library's major governmental funds are the General Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2006 and 2005 on a modified cash basis.

<b>Table 1 - Net Assets</b>		
	2006	2005
<b><u>Assets</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$ 1,138,017	\$ 1,393,075
<b>Total Assets</b>	<b>\$ 1,138,017</b>	<b>\$ 1,393,075</b>
<b><u>Net Assets</u></b>		
Restricted for:		
Capital Projects	\$ 68,394	\$ 98,746
Other Purposes	73,895	73,247
Unrestricted	995,728	1,221,082
<b>Total Net Assets</b>	<b>\$ 1,138,017</b>	<b>\$ 1,393,075</b>

Table 2 reflects the changes in the Library's net assets in 2006 and 2005.

<b>Table 2 - Changes in Net Assets</b>		
	2006	2005
<b><u>Receipts</u></b>		
Property and Other Local Taxes	\$ 3,122,699	\$ 3,118,330
Intergovernmental	1,849,598	1,849,598
Patron Fines and Fees	129,169	140,507
Contributions, Gifts, and Donations	3,060	1,955
Earnings on Investments	81,903	54,740
Miscellaneous	71,426	58,752
<b>Total Receipts</b>	<b>5,257,855</b>	<b>5,223,882</b>
<b><u>Disbursements</u></b>		
Current:		
General Library Services	5,123,856	4,922,740
Capital Outlay	389,057	221,650
<b>Total Disbursements</b>	<b>5,512,913</b>	<b>5,144,390</b>
Net Increase (Decrease) in Net Assets	(255,058)	79,492
Net Assets, January 1	1,393,075	1,313,583
<b>Net Assets, December 31</b>	<b>\$ 1,138,017</b>	<b>\$ 1,393,075</b>

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED  
(CONTINUED)**

Property and Other Local Taxes and Intergovernmental Receipts in 2006 and 2005 are 94.57 percent and 95.10 percent, respectively, of total receipts. Earnings on Investments became a larger revenue source during 2006, as available funds were invested for greater investment returns.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services, and business administration represent the costs of running the library.

Capital outlays increased in 2006 for replacement computers, new carpeting for the main library, and a new library truck.

**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 Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Systems, Business Administration, and Capital Outlay. The next three columns 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**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b><u>Expenditures</u></b>				
General Library Services	\$ 5,123,856	\$ 4,992,287	\$ 4,922,740	\$ 4,780,918
Capital Outlay	<u>389,057</u>	<u>389,057</u>	<u>221,650</u>	<u>221,650</u>
<b>Total Expenditures</b>	<b><u>\$ 5,512,913</u></b>	<b><u>\$ 5,381,344</u></b>	<b><u>\$ 5,144,390</u></b>	<b><u>\$ 5,002,568</u></b>

**The Library's Funds**

Total governmental funds had receipts in 2006 and 2005 of \$5,257,855 and \$5,223,882, respectively, and disbursements of \$5,512,913 and \$5,144,390, respectively. The fund balance of the General Fund increased \$10,203 in 2005, but experienced a \$225,354 decrease in 2006, primarily due to capital outlays for new computers, carpeting at the main library, and a new truck.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
UNAUDITED  
(CONTINUED)**

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**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 years 2006 and 2005, the Library's General Fund budget was stable. Final disbursements and transfers for 2006 and 2005 were budgeted at \$6,256,291 and \$6,064,391, respectively, while actual disbursements and transfers were \$5,962,355 and \$5,792,821, respectively. Maintaining actual expenditures below projected levels allowed the Library to minimize cash decreases to the General Fund during this period.

**Debt Administration**

At December 31, 2006 and December 2005, the Library had no debt obligations.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and LLGSF funding. During calendar years 2006 and 2005, the Library did not experience any material growth in Local Government Support Funding from the State of Ohio. Also during this time, the Board of Trustees and Administration conservatively forecasted the Library's needs, and in December 2006 started work on a Strategic Plan to review current library services provided to the community.

The Board of Trustees and Administration work extremely hard at containing health care costs by securing updated competitive proposals from various health care providers. While the cost increases for medical insurance are unavoidable in today's environment, the Library is working diligently to maintain a high level of coverage for its employees at the lowest cost possible.

**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, Clerk-Treasurer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2006**

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	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,138,017</u>
<b>Total Assets</b>	<u><u>\$ 1,138,017</u></u>
<b><u>Net Assets</u></b>	
Restricted for:	
Capital Projects	\$ 68,394
Other Purposes	73,895
Unrestricted	<u>995,728</u>
<b>Total Net Assets</b>	<u><u>\$ 1,138,017</u></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2006**

					Net (Disbursements) Receipts and Changes in Net Assets
	Cash	<u>Program Cash Receipts</u>			Total
	<u>Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b><u>Governmental Activities</u></b>					
General Library Services	\$ 5,123,856	\$ 129,169	\$ 2,400	\$ 0	\$(4,992,287)
Capital Outlay	<u>389,057</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(389,057)</u>
<b>Total Governmental Activities</b>	<b><u>\$ 5,512,913</u></b>	<b><u>\$ 129,169</u></b>	<b><u>\$ 2,400</u></b>	<b><u>\$ 0</u></b>	<b><u>(5,381,344)</u></b>
		<b><u>General Receipts</u></b>			
					3,122,699
					660
					1,849,598
					81,903
					<u>71,426</u>
					<b><u>5,126,286</u></b>
					(255,058)
					 <u>1,393,075</u>
					 <b><u>\$ 1,138,017</u></b>

See accompanying notes to the basic financial statements.



**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2006**

	<u>General</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 995,728	\$ 68,394	\$ 73,895	\$ 1,138,017
<b>Total Assets</b>	<b><u>\$ 995,728</u></b>	<b><u>\$ 68,394</u></b>	<b><u>\$ 73,895</u></b>	<b><u>\$ 1,138,027</u></b>
<b><u>Fund Balances</u></b>				
Reserved:				
Reserved for Encumbrances	\$ 244,875	\$ 7,039	\$ 6,994	\$ 258,908
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	750,853	0	0	750,853
Special Revenue Funds	0	0	66,901	66,901
Capital Projects Funds	<u>0</u>	<u>61,355</u>	<u>0</u>	<u>61,355</u>
<b>Total Funds Balances</b>	<b><u>\$ 995,728</u></b>	<b><u>\$ 68,394</u></b>	<b><u>\$ 73,895</u></b>	<b><u>\$ 1,138,017</u></b>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

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Total Governmental Fund Balances	<u>\$ 1,138,017</u>
<b>Net Assets of Governmental Activities</b>	<u><b>\$ 1,138,017</b></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
 MODIFIED CASH BASIS FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2006**

	<u>General</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 3,122,699	\$ 0	\$ 0	\$ 3,122,699
Intergovernmental	1,849,598	0	0	1,849,598
Patron Fines and Fees	129,169	0	0	129,169
Contributions, Gifts, and Donations	660	0	2,400	3,060
Earnings on Investments	71,755	5,806	4,342	81,903
Miscellaneous	71,426	0	0	71,426
<b>Total Receipts</b>	<u>5,245,307</u>	<u>5,806</u>	<u>6,742</u>	<u>5,257,855</u>
<b><u>Disbursements</u></b>				
Current:				
General Library Services	5,119,837	0	4,019	5,123,856
Capital Outlay	171,097	215,885	2,075	389,057
<b>Total Disbursements</b>	<u>5,290,934</u>	<u>215,885</u>	<u>6,094</u>	<u>5,512,913</u>
Excess of Receipts Over (Under) Disbursements	<u>(45,627)</u>	<u>(210,079)</u>	<u>648</u>	<u>(255,058)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	0	179,727	0	179,727
Transfers Out	(179,727)	0	0	(179,727)
<b>Total Other Financing Sources (Uses)</b>	<u>(179,727)</u>	<u>179,727</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(225,354)	(30,352)	648	(255,058)
Fund Balances - Beginning of Year	<u>1,221,082</u>	<u>98,746</u>	<u>73,247</u>	<u>1,393,075</u>
<b>Fund Balances - End of Year</b>	<u>\$ 995,728</u>	<u>\$ 68,394</u>	<u>\$ 73,895</u>	<u>\$ 1,138,017</u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Net Change in Fund Balances - Total Governmental Funds	<u>\$ (255,058)</u>
<b>Changes in Net Assets of Governmental Activities</b>	<u><b>\$ (255,058)</b></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - BUDGET BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 3,079,100	\$ 3,079,100	\$ 3,122,699	\$ 43,599
Intergovernmental	1,849,598	1,849,598	1,849,598	0
Patron Fines and Fees	138,800	138,800	129,169	(9,631)
Contributions, Gifts, and Donations	700	700	660	(40)
Earnings on Investments	38,600	38,600	71,755	33,155
Miscellaneous	<u>50,832</u>	<u>50,832</u>	<u>71,426</u>	<u>20,594</u>
<b>Total Receipts</b>	<u>5,157,630</u>	<u>5,157,630</u>	<u>5,245,307</u>	<u>87,677</u>
<b><u>Disbursements</u></b>				
Current:				
General Library Services	5,477,942	5,477,942	5,364,712	113,230
Capital Outlay	<u>281,530</u>	<u>281,530</u>	<u>171,097</u>	<u>110,433</u>
<b>Total Disbursements</b>	<u>5,759,472</u>	<u>5,759,472</u>	<u>5,535,809</u>	<u>223,663</u>
Excess of Receipts Over (Under) Disbursements	<u>(601,842)</u>	<u>(601,842)</u>	<u>(290,502)</u>	<u>311,340</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(179,727)</u>	<u>70,273</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(179,727)</u>	<u>70,273</u>
Net change in Fund Balance	(851,842)	(851,842)	(470,229)	381,613
Fund Balance - Beginning of Year	974,263	974,263	974,263	0
Prior Year Encumbrances Appropriated	<u>246,819</u>	<u>246,819</u>	<u>246,819</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 369,240</u>	<u>\$ 369,240</u>	<u>\$ 750,853</u>	<u>\$ 381,613</u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

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	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,393,075</u>
<b>Total Assets</b>	<u><u>\$ 1,393,075</u></u>
<b><u>Net Assets</u></b>	
Restricted for:	
Capital Projects	\$ 98,746
Other Purposes	73,247
Unrestricted	<u>1,221,082</u>
<b>Total Net Assets</b>	<u><u>\$ 1,393,075</u></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

		Program Cash Receipts			Net (Disbursements)
	Cash	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
<b>Governmental Activities</b>	Disbursements				Total Governmental Activities
General Library Services	\$ 4,922,740	\$ 140,507	\$ 1,315	\$ 0	\$(4,780,918)
Capital Outlay	<u>221,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(221,650)</u>
<b>Total Governmental Activities</b>	<b><u>\$ 5,144,390</u></b>	<b><u>\$ 140,507</u></b>	<b><u>\$ 1,315</u></b>	<b><u>\$ 0</u></b>	<b><u>(5,002,568)</u></b>
<b>General Receipts</b>					
Property Taxes Levied for General Purposes					3,118,330
Unrestricted Gifts and Contributions					640
Grants and Entitlements not Restricted to Specific Purposes					1,849,598
Interest					54,740
Miscellaneous					<u>58,752</u>
<b>Total General Receipts</b>					<b><u>5,082,060</u></b>
Change in Net Assets					79,492
Net Assets Beginning of Year					<u>1,313,583</u>
<b>Net Assets End of Year</b>					<b><u>\$ 1,393,075</u></b>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2005**

	<u>General</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,221,082	\$ 98,746	\$ 73,247	\$ 1,393,075
<b>Total Assets</b>	<b><u>\$ 1,221,082</u></b>	<b><u>\$ 98,746</u></b>	<b><u>\$ 73,247</u></b>	<b><u>\$ 1,393,075</u></b>
<b><u>Fund Balances</u></b>				
Reserved:				
Reserved for Encumbrances	\$ 246,819	\$ 0	\$ 0	\$ 246,819
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	974,263	0	0	974,263
Special Revenue Funds	0	0	73,247	73,247
Capital Projects Funds	<u>0</u>	<u>98,746</u>	<u>0</u>	<u>98,746</u>
<b>Total Funds Balances</b>	<b><u>\$ 1,221,082</u></b>	<b><u>\$ 98,746</u></b>	<b><u>\$ 73,247</u></b>	<b><u>\$ 1,393,075</u></b>

See accompanying notes to the basic financial statements.



**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

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Total Governmental Fund Balances	<u>\$ 1,393,075</u>
<b>Net Assets of Governmental Activities</b>	<u><b>\$ 1,393,075</b></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
 MODIFIED CASH BASIS FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2005**

	<u>General</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 3,118,330	\$ 0	\$ 0	\$ 3,118,330
Intergovernmental	1,849,598	0	0	1,849,598
Patron Fines and Fees	140,507	0	0	140,507
Contributions, Gifts, and Donations	640	0	1,315	1,955
Earnings on Investments	50,708	1,212	2,820	54,740
Miscellaneous	<u>57,482</u>	<u>0</u>	<u>1,270</u>	<u>58,752</u>
<b>Total Receipts</b>	<u>5,217,265</u>	<u>1,212</u>	<u>5,405</u>	<u>5,223,882</u>
<b><u>Disbursements</u></b>				
Current:				
General Library Services	4,918,406	0	4,334	4,922,740
Capital Outlay	<u>38,657</u>	<u>182,993</u>	<u>0</u>	<u>221,650</u>
<b>Total Disbursements</b>	<u>4,957,063</u>	<u>182,993</u>	<u>4,334</u>	<u>5,144,390</u>
Excess of Receipts Over (Under) Disbursements	<u>260,202</u>	<u>(181,781)</u>	<u>1,071</u>	<u>79,492</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	0	250,000	0	250,000
Transfers Out	<u>(250,000)</u>	<u>0</u>	<u>0</u>	<u>(250,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(250,000)</u>	<u>250,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	10,202	68,219	1,071	79,492
Fund Balances - Beginning of Year	<u>1,210,880</u>	<u>30,527</u>	<u>72,176</u>	<u>1,313,583</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,221,082</u>	<u>\$ 98,746</u>	<u>\$ 73,247</u>	<u>\$ 1,393,075</u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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Net Change in Fund Balances - Total Governmental Funds	<u>\$ 79,492</u>
<b>Changes in Net Assets of Governmental Activities</b>	<u><b>\$ 79,492</b></u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY, OHIO  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - BUDGET BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b><u>Receipts</u></b>				
Property and Other Local Taxes	\$ 3,136,574	\$ 3,094,636	\$ 3,118,330	\$ 23,694
Intergovernmental	1,852,252	1,914,520	1,849,598	(64,922)
Patron Fines and Fees	101,350	147,750	140,507	(7,243)
Contributions, Gifts, and Donations	3,500	3,350	640	(2,710)
Earnings on Investments	17,300	13,000	50,708	37,708
Miscellaneous	<u>36,450</u>	<u>55,900</u>	<u>57,482</u>	<u>1,582</u>
<b>Total Receipts</b>	<u>5,147,426</u>	<u>5,229,156</u>	<u>5,217,265</u>	<u>(11,891)</u>
<b><u>Disbursements</u></b>				
Current:				
General Library Services	4,842,756	5,314,160	5,165,225	148,935
Capital Outlay	<u>68,500</u>	<u>161,292</u>	<u>38,657</u>	<u>122,635</u>
<b>Total Disbursements</b>	<u>4,911,256</u>	<u>5,475,452</u>	<u>5,203,882</u>	<u>271,570</u>
Excess of Receipts Over (Under) Disbursements	<u>236,170</u>	<u>(246,296)</u>	<u>13,383</u>	<u>259,679</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	<u>(200,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>0</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(200,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>0</u>
Net Change in Fund Balance	36,170	(496,296)	(236,617)	259,679
Fund Balance - Beginning of Year	871,941	871,941	871,941	0
Prior Year Encumbrances Appropriated	<u>338,939</u>	<u>338,939</u>	<u>338,939</u>	<u>0</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,247,050</u>	<u>\$ 714,584</u>	<u>\$ 974,263</u>	<u>\$ 259,679</u>

See accompanying notes to the basic financial statements.

**SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**NOTE 1: DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library under the laws of the State of Ohio. The Library has its own Board of Trustees (“Board of Trustees”) of seven members who are appointed by the Shaker Heights City School District’s Board of Education (“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 (“ORC”) with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Shaker Heights 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 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.

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

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

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (“FASB”) pronouncements and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library’s accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statements of net assets and the statements of activities display information about the Library as a whole. These statements include the financial activities of the Library.

The statements of net assets presents the cash and investment balances of the governmental activities of the Library at each year-end. The statements of activities compares disbursements with program receipts for each of the Library’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service. 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 modified cash basis or draws from the Library’s general receipts.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

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.

B. **Fund Accounting**

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

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts, 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 all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Capital Projects Fund* - The Capital Projects Fund accounts for monies set aside by the Board of Trustees for major capital and technology improvements.

The other governmental funds of the Library account for receipts whose use is restricted to a particular purpose.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Basis of Accounting**

The Library's financial statements are prepared using the modified 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 modified 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.

**D. Budgetary Process**

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

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

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



**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**E. Cash and Cash Equivalents**

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

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

Investments 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 2006 and 2005, investments were limited to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, and STAROhio. Except for STAROhio, these investments were recorded at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006 and December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2006 and 2005 amounted to \$71,755 and \$50,708, respectively, which includes \$10,148 and \$4,032, respectively allocated to other Library funds.

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library had \$73,895 at December 31, 2006, and \$73,247 at December 31, 2005, in Special Revenue Funds restricted by resolutions of the Board of Trustees.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. 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 modified cash basis of accounting.

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

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

**I. Long-Term Obligations**

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

**J. Net Assets**

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

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

The Library had \$68,394 at December 31, 2006, and \$98,746 at December 31, 2005, restricted for capital projects and other purposes other than the Special Revenue funds discussed in Note F above.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Fund Balance Reserves**

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

**L. Estimates**

The modified cash basis of accounting used by the Library requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as expenditures by program type which cannot be specifically designated to a single program); accordingly, actual results could differ from those estimates.

NOTE 3: **BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis), and outstanding year-end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding for the General Fund at December 31, 2006 and December 31, 2005 (budgetary basis), amounted to \$244,875 and \$246,819, respectively. There were not any outstanding advances for the General Fund during 2006 and 2005.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

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 (STAROhio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC") by collateral pledged to the Library by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

At December 31, 2006 and December 31, 2005, the Library had \$404 in each year in undeposited cash on hand for petty cash purposes which is included as part of "Cash" on the financial statements.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2006, the carrying amount of the Library's deposits was \$295,135 and the bank balance was \$325,540. At fiscal year end 2005, the carrying amount of the Library's deposits was \$316,505 and the bank balance was \$383,050. The deposits are subject to FDIC insurance in the amount of \$100,000 and all deposits in excess of that amount are secured by deposits pledged by the financial institution. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

**SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(CONTINUED)**

NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits** (Continued)

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2006, the Library had the following investments:

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturities (in Years)</u>
Federal National Mortgage Association	\$ 251,800	AAA	< 1 year
Federal Home Loan Bank Note	250,278	AAA	< 1 year
STAROhio	<u>340,400</u>	AAA	< 1 year
<b>Total Investments</b>	<b><u>\$ 842,478</u></b>		

As of December 31, 2005, the Library had the following investments:

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturities (in Years)</u>
Federal Home Loan Bank Note	\$ 249,521	AAA	< 1 year
STAROhio	<u>826,645</u>	AAAm	< 1 year
<b>Total Investments</b>	<b><u>\$ 1,076,166</u></b>		

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

The Library's investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 4: **DEPOSITS AND INVESTMENTS** (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5: **GRANT-IN-AID AND PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the school district's real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes, respectively. Real property taxes received in 2006 and 2005 were levied after October 1, 2005 and October 1, 2004, respectively, on the assessed values as of January 1, 2006, and January 1, 2005, the lien dates. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(CONTINUED)**

NOTE 5: **GRANT-IN-AID AND PROPERTY TAXES** (Continued)

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes, respectively. Public utility real and tangible personal property taxes received in 2006 and 2005 became a lien on December 31, 2005 and December 31, 2004, respectively, and were levied after October 1, 2005 and October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 and 2005 (other than public utility property) represent the collection of 2006 and 2005 taxes. Tangible personal property taxes received in 2006 and 2005 were levied after October 1, 2005 and October 1, 2004, respectively, on the true value as of December 31, 2005 and December 31, 2004, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the years ended December 31, 2006 and December 31, 2005, was \$4.00 (4.0 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	<u>2006</u>	<u>2005</u>
Real Property		
Residential/Agricultural	\$ 758,082,460	\$ 760,446,580
Other Real Estate	89,889,340	92,028,820
Public Utility	15,778,790	17,529,940
General Tangible Personal Property	<u>10,227,037</u>	<u>10,874,112</u>
Total Assessed Value	<u>\$ 873,977,627</u>	<u>\$ 880,879,452</u>



**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

**NOTE 6: RISK MANAGEMENT**

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

**Insurance Coverage at December 31, 2006**

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Company	Commercial Property	\$ 8,610,000
	Blanket Contents	1,250,000
	Valuable Papers/Library Materials	4,800,000
	General Liability	1,000,000/per occurrence/ 2,000,000 aggregate
	Commercial Umbrella	5,000,000
	Vehicle	1,000,000
	Commercial Crime	
	Employee Dishonesty	100,000
	Forgery	100,000
	Money and Securities	5,000
AIG Insurance Company	Directors and Officers Liability	3,000,000

**Insurance Coverage at December 31, 2005**

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance Company	Commercial Property	\$ 8,600,000
	Blanket Contents	1,250,000
	Valuable Papers/Library Materials	4,800,000
	General Liability	1,000,000/per occurrence/ 2,000,000 aggregate
	Commercial Umbrella	5,000,000
	Vehicle	1,000,000
	Commercial Crime	
	Employee Dishonesty	100,000
	Forgery	100,000
	Money and Securities	5,000
AIG Insurance Company	Directors and Officers Liability	3,000,000

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

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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**NOTE 7: DEFINED BENEFIT PENSION PLAN**

The Library participates in the Ohio Public Employees Retirement System (“OPERS”). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively of their annual covered salaries. The Library’s contribution rate for pension benefits for 2006 and 2005 was 13.70 percent and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library’s required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$336,833, \$353,291, and \$348,634, respectively. The full amounts have been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006, 2005 and 2004 were \$11,097, \$11,064, and \$7,331, respectively made by the Library and \$7,290, \$6,941, and \$4,599, respectively, made by the plan members.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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**NOTE 8: POSTEMPLOYMENT BENEFITS**

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rates were 13.70 percent and 13.55 percent, respectively, of covered payroll; 4.50 percent and 4.00 percent, respectively, of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor of .50 to 6.00 percent annually for the next nine years and 4.00 percent annually after the nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214 at December 31, 2006, and 358,804 at December 31, 2005. Actual employer contributions for 2006 and 2005, which were used to fund postemployment benefits were \$254,565 and 235,310, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**SHAKER HEIGHTS PUBLIC LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**  
**(CONTINUED)**

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NOTE 9: **POSTEMPLOYMENT BENEFITS**

The General Fund transferred \$179,727 to the Capital Fund in 2006 and \$250,000 to the Capital Projects Fund in 2005.

NOTE 10: **RELATED ORGANIZATIONS**

The Library does not have any related organizations for which it is accountable.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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(216) 475 - 6136

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Shaker Heights Public Library  
Shaker Heights, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Ohio, as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Shaker Heights Public Library, Ohio's basic financial statements and have issued our report thereon dated August 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Shaker Heights Public Library, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Shaker Heights Public Library, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Shaker Heights Public Library, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Shaker Heights Public Library, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Shaker Heights Public Library, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Shaker Heights Public Library, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Shaker Heights Public Library, Ohio's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Shaker Heights Public Library, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and members of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.  
Certified Public Accountants

August 23, 2007



**Mary Taylor, CPA**  
Auditor of State

SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 8, 2007