



**Mary Taylor, CPA**  
Auditor of State



CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cleveland Public Library  
Cuyahoga County  
325 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Cleveland Public Library, Cuyahoga County, Ohio (the Library), as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Cleveland Public Library, Cuyahoga County, Ohio, as of December 31, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Library's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 14, 2009

**Cleveland Public Library**  
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*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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The Discussion and Analysis of the Cleveland Public Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Library's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are:

Total assets decreased by \$6,425,298 or 2.88 percent decrease from 2007.

Total liabilities increased by \$4,061,293 or 9.43 percent increase over 2007.

Total net assets decreased by \$10,486,591 or 5.82 percent decrease from 2007.

Total capital assets decreased \$3,172,593 or 3.04 percent decrease from 2007.

Total outstanding long-term liabilities increased \$215,472 or 4.03 percent increase over 2007.

**Using These Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Cleveland Public Library as a financial whole or as an entire operating entity. The statements proceed to provide an increasingly detailed look at our specific financial condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the Library's most significant funds with all other non-major funds presented in total in one column.

**Reporting the Library as a Whole**

*Statement of Net Assets and Statement of Activities*

While this document contains information about the funds used by the Library to provide services to our citizens, the view of the Library as a whole looks at all financial transactions and asks the question, "How did the Library do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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These two statements report the Library's net assets and the changes in those assets. The change in net assets is important because it tells the reader whether, for the Library as a whole, the financial position of the Library has improved or diminished. However, in evaluating the overall position of the Library, non-financial information such as changes in the Library's tax base and the condition of the Library's capital assets will also need to be evaluated. The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Revenue and Expenses
- General Revenues
- Net Assets Beginning of Year and Year's End

**Reporting the Cleveland Public Library's Most Significant Fund**

*Fund Financial Statements*

The presentation of the Library's major fund begins on page 13. Fund financial reports provide detailed information about the Library's major fund based on the restrictions on the use of monies. The Library has established many funds that account for the multitude of services and facilities provided for our patrons. However, these fund financial statements focus on the Library's most significant fund. In the case of the Library, the major fund is the General Fund.

**Government Funds**

All of the Library's activities are reported in the governmental funds focusing on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The Library as a Whole**

The Statement of Net Assets looks at the Library as a whole. Table 1 provides a summary of the Library's net assets for 2008 compared to 2007.



**Cleveland Public Library**  
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**Table 1**  
*Net Assets*

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$115,484,926	\$118,737,631	(\$3,252,705)
Capital Assets, Net	<u>101,326,326</u>	<u>104,498,919</u>	<u>(3,172,593)</u>
<i>Total Assets</i>	<u>216,811,252</u>	<u>223,236,550</u>	<u>(6,425,298)</u>
<b>Liabilities</b>			
Current and Other Liabilities	41,571,372	37,725,551	3,845,821
Long-Term Liabilities:			
Due Within One Year	357,026	343,471	13,555
Due In More Than One Year	<u>5,205,367</u>	<u>5,003,450</u>	<u>201,917</u>
<i>Total Liabilities</i>	<u>47,133,765</u>	<u>43,072,472</u>	<u>4,061,293</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	101,326,326	104,498,919	(3,172,593)
Restricted for:			
Endowments - Expendable	1,678,352	2,497,622	(819,270)
Endowments - Nonexpendable	717,036	717,036	0
Capital Projects	9,365,464	11,413,349	(2,047,885)
Other Purposes	9,225,159	12,201,341	(2,976,182)
Unrestricted	<u>47,365,150</u>	<u>48,835,811</u>	<u>(1,470,661)</u>
<i>Total Net Assets</i>	<u>\$169,677,487</u>	<u>\$180,164,078</u>	<u>(\$10,486,591)</u>

The decrease in current and other assets is due primarily to the decreased valuation of the endowment funds during 2008. The increased property tax receivable is due to increased delinquencies. The capital assets decrease is due primarily to annual depreciation of assets. The current and other liabilities increase is primarily due to deferred revenue being higher at December 31, 2008 than at December 31, 2007.

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Table 2 shows the changes in net assets for the years ended December 31, 2008 and December 31, 2007.

**Table 2**  
*Changes in Net Assets*

	Governmental Activities		
	2008	2007	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$3,330,119	\$3,331,640	(\$1,521)
Operating Grants, Contributions and Investment Earnings	1,408,580	1,993,483	(584,903)
<i>Total Program Revenues</i>	4,738,699	5,325,123	(586,424)
General Revenues:			
Property Taxes	28,815,253	29,866,202	(1,050,949)
Grants and Entitlements	32,115,428	32,786,134	(670,706)
Investment Earnings	(1,530,793)	2,488,794	(4,019,587)
Miscellaneous	488,759	253,373	235,386
Total General Revenues	59,888,647	65,394,503	(5,505,856)
<i>Total Revenues</i>	64,627,346	70,719,626	(6,092,280)
<b>Program Expenses</b>			
Administration and Support	26,466,270	25,200,672	1,265,598
Public Services	48,647,667	45,460,751	3,186,916
<i>Total Expenses</i>	75,113,937	70,661,423	4,452,514
<i>Increase (Decrease) in Net Assets</i>	(10,486,591)	58,203	(10,544,794)
<i>Net Assets January 1</i>	180,164,078	180,105,875	58,203
<i>Net Assets December 31</i>	\$169,677,487	\$180,164,078	(\$10,486,591)

**Cleveland Public Library**  
**Cuyahoga County**  
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**GOVERNMENTAL ACTIVITIES**

For the most part, administration and support expenses are underwritten by the general revenues of the Library, rather than program revenues except for the usage and processing fees received by Cleveland Public Library for automated library services provided to the 29 contracting CLEVNET libraries spread over nine counties in northern Ohio. Like the administration and support expenses, the public services expenses are also mainly supported by the general revenues of the Library. However, the Library has been successful in being awarded a number of grants to help support the free and equitable access to programming and services.

General revenues from property taxes decreased by \$1,050,949 during 2008. General revenues of grants and entitlements decreased by \$670,706 during 2008 under 2007 due primarily to a decrease in the Public Library Fund revenues.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing these services for the years ending December 31, 2008 and December 31, 2007. The total cost of services associated with public services in 2008 is 64.77 percent of total costs, slightly above 2007's 64.34 percent.

**Table 3**  
*Governmental Activities*

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Administration and Support	\$26,466,270	(\$23,456,038)	\$25,200,672	(\$22,039,760)
Public Services	48,647,667	(46,919,200)	45,460,751	(43,296,540)
<i>Total</i>	<u>\$75,113,937</u>	<u>(\$70,375,238)</u>	<u>\$70,661,423</u>	<u>(\$65,336,300)</u>

**The Library's Funds**

Information about the Library's governmental funds begins on page 13. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$64,320,271 and expenditures of \$71,725,872. The most significant fund is the general fund, which had an unreserved fund balance at year-end of \$29,685,554 compared to annual expenditures of \$67,903,196. The net change in general fund balance for 2008 of a \$1,337,255 decrease was the result of collecting revenues at a lower level than appropriated for expenditure, requiring use of previously preserved fund balance to cover increasing expenditures during this last year of the 5-year levy cycle. General fund revenues of intergovernmental decreased in 2008 by \$52,633 under 2007 and investment earnings decreased by \$364,999 during 2008 under 2007. The most significant decrease from 2007 to 2008 of \$1,740,318 was in property tax collections.

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**Cuyahoga County**  
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**General Fund Budgeting Highlights**

The Library's budget is prepared according to provisions of the Ohio Administrative Code based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2008, the Library amended its general fund budget. The original budgeted revenues were \$63,563,192 and the final budgeted amount was \$62,984,552. Of this \$578,640 decrease, all was due to decreased Public Library Fund revenue recertification. While the original appropriations were not changed during the year, the Library still maintained a respectable level of liquidity in the General Fund by maintaining unencumbered cash at year-end of 37.41 percent of those revenues.

**Capital Assets**

**Table 4**  
*Capital Assets*  
*(Net of Depreciation)*

	Governmental Activities	
	2008	2007
Land	\$2,701,082	\$2,701,082
Construction in Progress	854,444	359,734
Buildings/Improvements	96,416,807	99,713,798
Furniture/Equipment	437,978	456,497
Computers	744,480	1,049,454
Vehicles	171,535	218,354
<i>Total</i>	<u>\$101,326,326</u>	<u>\$104,498,919</u>

Total capital assets for the Library as of December 31, 2008 were \$101,326,326, a decrease of \$3,172,593 from 2007. The most significant decrease in capital assets came in the area of buildings and improvements of \$3,296,991. This was due to the annual depreciation on existing buildings. See Note 10 for additional information on capital assets.

**Current Financial Related Activities**

The Cleveland Public Library, “The People’s University,” celebrated its 139<sup>th</sup> year in 2008 and we are very proud of the accomplishments that have taken place over those years. The Library’s Main Library is situated on Lake Erie in the heart of Cleveland, Ohio. The Library’s 28 branches and the 2 Mobile Libraries reflect one of the Library’s priorities: global information in strategically convenient neighborhood locations.

The Cleveland Public Library remains financially stable. However, over the past few years, the Library has had to deal with uncertainty in the Public Library Fund (formerly Library and Local Government Fund) revenues since 2001 when the “freeze” and lower percentage share was initiated by the State Legislature. The freeze lifted during the latter half of 2008 but brought in less revenue than during the freeze due to the declining economic conditions. These lower revenues were countered with a hiring freeze and other budget cuts, including reductions in capital expenditures, library service materials, and reduced professional education funding. To offset this detrimental effect on public service, to restore and enhance neighborhood services and other public-defined initiatives, the Library’s voting district approved a 5-year replacement of the 5.8 mil levy on property tax in March, 2008, which will begin collection in January,

**Cleveland Public Library**  
**Cuyahoga County**  
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*For the Year Ended December 31, 2008*  
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2009 and ends December, 2013. The Library's finances are planned so that many of the facilities' improvements and capital acquisitions are paid with cash and the Library continues to pay cash for most equipment and other major purchases necessary to maintain a high level of services. We live within our means and plan ahead knowing that responsible leadership commands that we observe the budget and expend less than the fund balance carryover plus revenues we receive. We have kept the size of our work force to a level where we believe we meet the needs of our patrons.

The voters of the Cleveland Municipal School District, the Library's taxing district, approved on March 4, 2008 the replacement of an expiring 5.8 mills for a five year period commencing collection in 2009 for the operation and improvement of the Cleveland Public Library. As custodians of the public's trust, the people committed us on March 4<sup>th</sup> to ensuring that our libraries enrich our neighborhoods via effectively maintaining the original five library service enhancements:

Saturday hours year-round in neighborhood branches

More services for our children and young adults

New and improved services for our senior citizens

More computers and computer training to help our families without computers in their homes and businesses

Services for the Hispanic community and new Americans

During 2008, service hours were maintained and staffing held steady in this final year of the current 5-year levy cycle.

In the early years of this 5-year levy cycle, additional librarians were added in our branches' staffing to offer more services, particularly for children and young adults. The mobile library services were expanded to more senior centers and more programming for seniors has been added. During this 5-year levy, the Library has hired 52 new paraprofessional computer aides who offer one-on-one computer training and classes, installed 4 new computer kiosks at neighborhood community centers and added more computer training classes at all 28 branches and at the Main Library. This includes computer training in Russian, Chinese, Spanish and Arabic. The library has developed special computer classes for seniors through SeniorsConnect.org. As of 2006, all 28 branches and the Main Library had adaptive equipment for patrons with age related limitations. Numerous programs and new staff have been added to address the needs of the Hispanic community and Cleveland's diverse new Americans' communities as well as a wide range of literacy needs for the entire service area. During 2008, "On the Road to Reading" was launched as a new service of the Library's Mobile Services Department. It is an outreach project designed to train parents and caregivers of young children in early literacy. Also, during 2007, the Library launched its new teen web page. Given the tagline, Voices Rising of Cleveland, or VROC, the site can be located by its URL, [www.voicesrisingcleveland.org](http://www.voicesrisingcleveland.org) or from a link on the Library's main web page, [www.cpl.org](http://www.cpl.org).

Our commitment to our patrons has always been one of full disclosure of the financial position of the Library. We make available this report to all patrons who wish to review it. We also have a publication titled *Speaking Volumes*, a library newsletter that is mailed four times per year.

**Cleveland Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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**Contacting the Library's Finance Department**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Library's finances and show the Library's accountability for all money it receives, spends or invests. If you have any questions about this report or need financial information, contact the Finance Administrator, Sandra Kuban, Cleveland Public Library, 325 Superior Avenue, Cleveland, Ohio 44114, telephone 216-623-2843. We also offer information regarding our Library on our website, which is at [www.cpl.org](http://www.cpl.org).

**Cleveland Public Library**  
**Cuyahoga County**  
*Statement of Net Assets*  
*December 31, 2008*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$51,484,765
Accrued Interest Receivable	197,313
Accounts Receivable	108,888
Intergovernmental Receivable	18,157,705
Materials and Supplies Inventory	238,939
Prepaid Items	981,139
Property Taxes Receivable	44,316,177
Nondepreciable Capital Assets	3,555,526
Depreciable Capital Assets, Net	97,770,800
<i>Total Assets</i>	216,811,252
<b>Liabilities</b>	
Accounts Payable	906,501
Accrued Wages and Benefits	1,357,498
Matured Compensated Absences Payable	49,789
Intergovernmental Payable	771,448
Deferred Revenue	38,486,136
Long-Term Liabilities:	
Due Within One Year	357,026
Due In More Than One Year	5,205,367
<i>Total Liabilities</i>	47,133,765
<b>Net Assets</b>	
Invested in Capital Assets	101,326,326
Restricted for:	
Endowments--Expendable	1,678,352
Endowments--Non-Expendable	717,036
Capital Projects	9,365,464
Founders for Programming	3,667,372
Young for the Blind	2,349,128
Endowment for the Blind	1,336,460
Wickwire for the Blind	945,565
Other Purposes	926,634
Unrestricted	47,365,150
<i>Total Net Assets</i>	\$169,677,487

See accompanying notes to the basic financial statements

**Cleveland Public Library**  
**Cuyahoga County**  
*Statement of Activities*  
For the Year Ended December 31, 2008

	Program Revenues			Net (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Investment Earnings	Governmental Activities
<b>Governmental Activities</b>				
Administration and Support	\$26,466,270	\$3,007,800	\$2,432	(\$23,456,038)
Public Services	48,647,667	322,319	1,406,148	(46,919,200)
<i>Totals</i>	\$75,113,937	\$3,330,119	\$1,408,580	(70,375,238)
		<b>General Revenues</b>		
		Property Taxes Levied for General Purposes		28,815,253
		Grants and Entitlements not Restricted to Specific Programs		32,115,428
		Investment Earnings		(1,530,793)
		Miscellaneous		488,759
		<i>Total General Revenues</i>		59,888,647
		<i>Change in Net Assets</i>		(10,486,591)
		<i>Net Assets Beginning of Year</i>		180,164,078
		<i>Net Assets End of Year</i>		\$169,677,487

See accompanying notes to the basic financial statements



**Cleveland Public Library**  
**Cuyahoga County**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$30,255,003	\$21,229,762	\$51,484,765
Accrued Interest Receivable	197,313	0	197,313
Accounts Receivable	108,888	0	108,888
Intergovernmental Receivable	18,140,890	16,815	18,157,705
Interfund Receivable	95,000	0	95,000
Materials and Supplies Inventory	238,939	0	238,939
Prepaid Items	981,139	0	981,139
Property Taxes Receivable	44,316,177	0	44,316,177
<i>Total Assets</i>	<u>\$94,333,349</u>	<u>\$21,246,577</u>	<u>\$115,579,926</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$565,106	\$341,395	\$906,501
Accrued Wages and Benefits	1,357,498	0	1,357,498
Matured Compensated Absences Payable	49,789	0	49,789
Interfund Payable	0	95,000	95,000
Intergovernmental Payable	722,268	49,180	771,448
Deferred Revenue	58,338,393	0	58,338,393
<i>Total Liabilities</i>	<u>61,033,054</u>	<u>485,575</u>	<u>61,518,629</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	3,614,741	4,619,927	8,234,668
Reserved for Endowments-nonexpendable	0	717,036	717,036
Unreserved, Undesignated, Reported in:			
General Fund	29,685,554	0	29,685,554
Special Revenue Funds	0	8,859,620	8,859,620
Capital Projects Fund	0	4,924,399	4,924,399
Permanent Funds	0	1,640,020	1,640,020
<i>Total Fund Balances</i>	<u>33,300,295</u>	<u>20,761,002</u>	<u>54,061,297</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$94,333,349</u>	<u>\$21,246,577</u>	<u>\$115,579,926</u>

See accompanying notes to the basic financial statements

**Cleveland Public Library**  
**Cuyahoga County**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2008*

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<b>Total Governmental Fund Balances</b>	\$54,061,297
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	101,326,326
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	10,319,464
Intergovernmental	<u>9,532,793</u>
Total	19,852,257
Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,562,393)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$169,677,487</u></u>

**Cleveland Public Library**  
**Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$27,930,751	\$0	\$27,930,751
Charges for Services	3,007,800	0	3,007,800
Fines and Fees	322,319	0	322,319
Intergovernmental	32,692,855	801,416	33,494,271
Donations	0	607,164	607,164
Investment Earnings	2,123,795	(3,654,588)	(1,530,793)
Miscellaneous	488,421	338	488,759
<i>Total Revenues</i>	<u>66,565,941</u>	<u>(2,245,670)</u>	<u>64,320,271</u>
<b>Expenditures</b>			
Current:			
Administration and Support	25,460,184	96,019	25,556,203
Public Services	42,169,991	1,625,987	43,795,978
Capital Outlay	273,021	2,100,670	2,373,691
<i>Total Expenditures</i>	<u>67,903,196</u>	<u>3,822,676</u>	<u>71,725,872</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,337,255)</u>	<u>(6,068,346)</u>	<u>(7,405,601)</u>
<i>Fund Balances Beginning of Year</i>	<u>34,637,550</u>	<u>26,829,348</u>	<u>61,466,898</u>
<i>Fund Balances End of Year</i>	<u>\$33,300,295</u>	<u>\$20,761,002</u>	<u>\$54,061,297</u>

See accompanying notes to the basic financial statements

**Cleveland Public Library  
Cuyahoga County**

*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, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** (\$7,405,601)

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	1,087,878
Current Year Depreciation	<u>(4,260,471)</u>

Total (3,172,593)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues, expenditures and changes in fund balances.

Delinquent Property Taxes	884,502
Intergovernmental	<u>(577,427)</u>

Total 307,075

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the statement of revenues, expenditures and changes in fund balances.

(215,472)

*Change in Net Assets of Governmental Activities*

(\$10,486,591)

**Cleveland Public Library**  
**Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$25,810,282	\$25,810,282	\$27,930,751	\$2,120,469
Charges for Services	2,600,000	2,600,000	3,159,938	559,938
Fines and Fees	350,000	350,000	318,557	(31,443)
Intergovernmental	33,617,910	32,484,270	33,078,067	593,797
Investment Earnings	1,000,000	1,500,000	1,569,180	69,180
Miscellaneous	185,000	240,000	490,588	250,588
<i>Total Revenues</i>	<u>63,563,192</u>	<u>62,984,552</u>	<u>66,547,081</u>	<u>3,562,529</u>
<b>Expenditures</b>				
Current:				
Administration and Support	29,921,700	29,921,700	26,036,495	3,885,205
Public Services	46,077,474	46,077,474	44,785,893	1,291,581
Capital Outlay	507,249	507,249	313,696	193,553
<i>Total Expenditures</i>	<u>76,506,423</u>	<u>76,506,423</u>	<u>71,136,084</u>	<u>5,370,339</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(12,943,231)</u>	<u>(13,521,871)</u>	<u>(4,589,003)</u>	<u>8,932,868</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	189,500	189,500
Advances Out	0	0	(95,000)	(95,000)
Transfers Out	(3,000,000)	(3,000,000)	0	3,000,000
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>94,500</u>	<u>3,094,500</u>
<i>Net Change in Fund Balance</i>	(15,943,231)	(16,521,871)	(4,494,503)	12,027,368
<i>Fund Balance Beginning of Year</i>	24,648,066	24,648,066	24,648,066	0
Prior Year Encumbrances Appropriated	4,741,647	4,741,647	4,741,647	0
<i>Fund Balance End of Year</i>	<u>\$13,446,482</u>	<u>\$12,867,842</u>	<u>\$24,895,210</u>	<u>\$12,027,368</u>

See accompanying notes to the basic financial statements

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**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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

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

The Library is fiscally independent of the Cleveland Board of Education, although the Cleveland Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and 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 Cleveland 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 Cleveland Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", the Library is considered to be a related organization of the Board of Education. Management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles (GAAP). Based upon the application of these criteria, management does not believe the Library has any potential component unit that should be included as part of the Library's reporting entity.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Library also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Library's accounting policies are described below.

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the Library as a whole.

The statement of net assets presents the financial condition of the governmental activities of the Library at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues also include interest earned on grants and endowments that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

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

***B. Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Library's major governmental fund:

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

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

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Library are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Nonexchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Library, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, Public Library Fund payments (PLF), grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Library must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, grants, entitlements and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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***E. Cash and Cash Equivalents***

To improve cash management, cash received by the Library is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Library records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

STAROhio is an investment pool managed by the State Treasurer’s Office that allows governments within the State 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 Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price that is the price the investment could be sold for on December 31, 2008.

Interest and dividends earned on all funds when the use of such earnings are not restricted by law are recorded in the General Fund except investment earnings attributable to endowment fund balances which are recorded in the endowment funds, a subset of funds classified as either Special Revenue Funds or Permanent Funds. Investment losses debited to Investment Earnings on behalf of the endowment funds during 2008 amounted to \$3,654,588.

Investments are reported at fair market value, which is based on quoted market prices with the exception of non-participating investment contracts. Non-participating investment contracts such as repurchase agreements are reported at cost. Gains (or losses) to fair market value are booked annually as “Investment Earnings”.

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents.

***F. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2008 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

***H. Capital Assets***

The Library’s only capital assets are general capital assets. General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Library maintains capitalization thresholds as displayed in the following table. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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<u>Description</u>	<u>Capitalization Thresholds</u>
Land	All Land Acquisitions
Construction in Progress	All Major Projects Not Completed By Year-end
Buildings/Improvements	\$100,000
Movable Assets	\$ 5,000

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings/Improvements	40 - 100 Years
Furniture/Equipment	5 - 25 Years
Computers	5 - 25 Years
Vehicles	5 - 25 Years

***I. Inexhaustible Collections and Books***

Collections (works of art and historical artifacts, for example) meet the definition of a capital asset and normally should be reported in the financial statements. GASB Statement No. 34 does not require capitalization of collections that meet all of the following criteria: 1) the collection is held for reasons other than financial gain, 2) the collection is protected, kept unencumbered, cared for, and preserved, and 3) the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for the collections. Because the Library's inexhaustible collections, including research books and other rare library materials, meet the above requirements, the Library has not capitalized them. Other library materials used in the circulating collections have not been capitalized because their estimated useful lives or values are less than the Library's capitalization threshold.

***J. Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the statement of net assets.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The Library records a liability for all accumulated unused vacation time when earned for all employees. Accumulated but unused vacation time will be paid for upon termination of employment, provided the employee has worked six months or more.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Library's past experience of making termination payments. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the Library's termination policy. The Library's termination policy currently allows for payment of one-half of unused sick hours at time of retirement as governed by the provisions of the Ohio Public Employees Retirement System. The Library's termination policy further allows for additional amounts of unused sick hours to be paid for years of service exceeding 25 years.

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

***M. Fund Balance Reserves***

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances and non-expendable endowments.

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for grant-designated activities and specific library collections.

The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***O. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Library Administration and that are either unusual in nature or infrequent in occurrence.

***Q. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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**R. Budgetary Data**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 Trustees may appropriate. The appropriations resolution is the Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Trustees. The primary level of control has been established at the character or major category of the object code for the general fund. For all other funds, the primary level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by the Trustees.

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. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**Note 3 – Changes in Accounting Principles**

For 2008, the Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the Library's financial statements.

The Library has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". GASB Statement No. 52 established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the Library's financial statements.

**Note 4 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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actual results with the budget. The major differences between the budgetary basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts expended but not included as expenditures on the budgetary basis operating statement. These amounts are included as expenditures on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	General
GAAP Basis	(\$1,337,255)
Net Adjustment for Revenue Accruals	(18,860)
Advance In	189,500
Advance Out	(95,000)
Net Adjustment for Expenditure Accruals	946,012
Current Year Encumbrances	<u>(4,178,900)</u>
Budgetary Basis	<u>(\$4,494,503)</u>

**Note 5 – Deposits and Investments**

State statutes classify public deposits held by the Library into three categories.

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

Inactive deposits are public deposits that the Trustees have 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.

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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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. A list of permissible investments for interim deposits follows.

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

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit or by savings or deposit accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligation of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For Year Ended December 31, 2008*

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matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

The Library, a fiduciary, having monies belonging to a trust which are to be invested, may invest those monies, except as otherwise provided by law or by the instrument creating the trust, in the following:

1. Bonds or other obligations of the United States or the State of Ohio;
2. Bonds or other interest-bearing obligations of any county, municipal corporation, school district, or other legally constituted political taxing subdivision within the State provided that the subdivision has not defaulted in the payment of the interest on any of its bonds or interest-bearing obligations for more than 120 days during the ten years immediately preceding the investment and provided that the subdivision is not, at the time of investment, in default in the payment of principal or interest on any of its bonds or other interest-bearing obligations;
3. Bonds or other interest-bearing obligations of any other state of the United States, which within 20 years prior to the making of such investment, has not defaulted for more than 90 days in the payment of principal or interest on any of its bonds or other interest-bearing obligations;
4. Any bonds issued by or for federal land banks and any debentures issued by or for federal intermediate credit banks under the "Federal Farm Loan Act of 1916 or any debentures issued by or for banks for cooperatives under the "Farm Credit Act of 1933";
5. Notes which are: (a) secured by a first mortgage on real estate held in fee and located in the State, improved by a unit designed principally for residential use for not more than four families or by a combination of such dwelling units and business property, the area designed or used for nonresidential purposes not to exceed 50 percent of the total floor area; (b) secured by a first mortgage on real estate held in fee and located in the State, improved with a building designed for residential use for more than four families or with a building used primarily for business purposes, if the unpaid principal of the notes secured by such mortgage does not exceed ten percent of the value of the estate or trust or does not exceed \$5,000, whichever is greater; or (c) secured by a first mortgage on an improved farm held in fee and located in the State, provided that such mortgage requires that the buildings on the mortgaged property shall be well insured against loss by fire, and so kept, for the benefit of the mortgagee, until the debt is paid, and provided that the unpaid principal of the notes secured by the mortgage shall not exceed 50 percent of the fair value of the mortgaged real estate at the time the investment is made; except that the unpaid principal of the notes may equal 60 percent of the fair value of the mortgaged real estate at the time the investment is made, and may be payable over a period of 15 years following the date of the investment by the fiduciary if regular installment payments are required sufficient to amortize four percent or more of the principal of the outstanding notes per annum and if the unpaid principal and interest become due and payable at the option of the holder upon any default in the payment of any installment of interest or principal upon the notes, or of taxes, assessments, or insurance premiums upon the mortgaged premises or upon the failure to cure any such default within any grace period provided therein not exceeding 90 days in duration;



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6. Life, endowment, or annuity contracts of legal reserve life insurance companies and licensed by the superintendent of insurance to transact business within the State provided that the purchase of contracts authorized by this division shall be limited to executors or the successors to their power when specifically authorized by will and to guardians and trustees, which contracts may be issued on the life of a ward, a beneficiary of a trust fund, or according to a will, or upon the life of a person in whom such ward or beneficiary has an insurable interest and the contracts shall be drawn by the insuring company so that the proceeds shall be the sole property of the person whose funds are so invested;
7. Notes or bonds secured by mortgages and insured by the federal housing administrator or debentures issued by such administrator;
8. Obligations issued by a federal home loan bank created under the "Federal Home Loan Bank Act of 1932";
9. Shares and certificates or other evidences of deposits issued by a federal savings and loan association organized and incorporated under the "Home Owners' Loan Act of 1933" to the extent and only to the extent that those shares or certificates or other evidences of deposits are insured pursuant to the "Financial Institutions Reform, Recovery, and Enforcement Act of 1989";
10. Bonds issued by the home owners' loan corporation created under the "Home Owners' Act of 1933";
11. Obligations issued by the national mortgage association created under the "National Housing Act";
12. Shares and certificates or other evidences of deposits issued by a domestic savings and loan association organized under the laws of the State, which association has obtained insurance accounts pursuant to the "Financial Institution Reform, Recovery, and Enforcement Act of 1989" or as may be otherwise provided by law, only to the extent that such evidences of deposits are insured under that act;
13. Shares and certificates or other evidences of deposits issued by a domestic savings and loan association organized under the laws of the State, provided that no fiduciary may invest such deposits except with the approval of the probate court, and then in an amount not to exceed the amount which the fiduciary is permitted to invest under division (A)(12);
14. In savings accounts in, or certificates or other evidences of deposits issued by, a national bank located in the State or a state bank located in and organized under the laws of the State by depositing the funds in the bank, and such national or state bank when itself acting in a fiduciary capacity may deposit the funds in savings accounts in, or certificates or other evidences of deposits issued by, its own savings department or any bank subsidiary corporation owned or controlled by the bank holding company that owns or controls such national or state bank; provided that no deposit shall be made by any fiduciary, individual, or corporate, unless the deposits of the depository bank are insured by the federal deposit insurance corporation (FDIC) and provided that the deposit of the funds of any one trust in any such savings accounts in, or certificates or other evidences of deposits issued by, any one bank shall not exceed the sum insured under the "Federal Deposit Insurance Corporation Act of 1933";

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15. Obligations consisting of notes, bonds, debentures, or equipment trust certificates issued under an indenture, which are the direct obligations, or in the case of equipment trust certificates are secured by direct obligations, of a railroad or industrial corporation, or a corporation engaged directly and primarily in the production, transportation, distribution or sale of electricity or gas, or the operation of telephone or telegraph systems or waterworks, or in some combination of them; provided that the obligor corporation is one which is incorporated under the laws of the United States, any state, or the District of Columbia, and the obligations are rated at the time of purchase in the highest or next highest classification established by at least two standard rating services selected from a list of the standard rating services which shall be prescribed by the superintendent of financial institutions; provided that every such list shall be certified by the superintendent to the clerk of each probate court in the State, and shall continue in effect until a different list is prescribed and certified;
16. Obligations issued, assumed, or guaranteed by the international finance corporation or by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the African development bank, or other similar development bank in which the president, as authorized by congress and on behalf of the United States, has accepted membership, provided that the obligations are rated at the time of purchase in the highest or next highest classification established by at least one standard rating service selected from a list of standard rating services which shall be prescribed by the superintendent of financial institutions;
17. Securities of any investment company, as defined in and registered under sections 3 and 8 of the "Investment Company Act of 1940" that are invested exclusively in forms of investment or in instruments that are fully collateralized by forms of investment in which the fiduciary is permitted to invest pursuant to 1 through 16 above, provided that, in addition to such forms of investments, the investment company may, for the purpose of reducing risk of loss or of stabilizing investment returns, engage in hedging transactions.

In addition to the preceding investments, a fiduciary other than a guardian may make investments in any of the following kinds and classes of securities, provided that it may be lawfully sold in Ohio and investment is made only in such securities as would be acquired by prudent persons of discretion and intelligence in such matters who are seeking a reasonable income and the preservation of their capital:

1. Securities of corporations organized and existing under the laws of the United States, the District of Columbia, of any state in the United States including, but not limited to bonds, debentures, notes, equipment trust obligations, or other evidences of indebtedness, and shares of common and preferred stocks of such corporations;
2. Collective investment funds or securities of any investment company whether or not the fiduciary has invested other funds held by it in an agency or other nonfiduciary capacity in the securities of the same investment company. Such investments may be made regardless of the eligibility of the underlying assets held by the fund portfolios of the investment company;
3. Bonds or other interest-bearing obligations of any state or territory of the United States, or of any county, city, village, school district, or other legally constituted political taxing subdivision of any state or territory of the United States, not otherwise eligible under 2 or 3 in the preceding investment list;

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4. Debt or equity securities of foreign corporations that trade on recognized United States domiciled exchanges.

These investments are subject to a restriction placed on an administrator or executor which states that no administrator or executor may invest funds belonging to an estate in an asset other than a direct obligation of the United States that has a maturity date not exceeding one year from the date of investment, or other than in a short term investment fund that is invested exclusively in obligations of the United States or of its agencies, or primarily in such obligations and otherwise only in variable demand notes, corporate money market instruments including, but not limited to, commercial paper, or fully collateralized repurchase agreements or other evidences of indebtedness that are payable on demand or generally have a maturity date not exceeding 91 days from the date of investment except with the approval of the probate court or with the permission of the instruments creating the trust.

**A. Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$55,570 of the Library's bank balance of \$435,509 was uninsured and uncollateralized. Although the securities were held by the pledging 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 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.

**B. Investments**

Investments are reported at fair value. As of December 31, 2008, the Library had the following investments:

	Ohio Revised Code 135		Ohio Revised Code 2109	
	Fair Value	Average Maturity	Fair Value	Average Maturity
Federal Home Loan Bank Bonds	\$12,042,060	500 Days	\$0	
STAROhio	6,236,981	58 Days	0	
Money Market/Principal Cash	3,455,948		2,018,089	
Common and Convertible Preferred Stock	0		4,185,515	
Federal National Mortgage Association Bonds	\$4,777,792	529 Days	0	
Federal Home Loan Mortgage Corp. Bonds	6,215,932	574 Days	0	
Corporate Bonds	0		2,150,082	
U.S. Treasury Notes	0		1,033,546	8/15/13-1/15/18
FNMA Guaranteed Mortg. Passthru Cert. Pool	0		1,369,901	10/15/11-5/1/38
Federal Farm Credit Bank Bonds	8,673,588	586 Days	0	
Federal National Mortgage Association Notes	0		281,355	12/15/10-6/22/12
<b>Total</b>	<b>\$41,402,301</b>		<b>\$11,038,488</b>	

**Cleveland Public Library**  
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Investments are restricted by the provisions of the *Ohio Revised Code*. During 2008, investments of the cash management pool were limited to federal money market funds, treasury notes, federal agency securities, and STAROhio, with the exception of the Library's endowment monies. The endowment monies are able to invest in common and preferred stock as upheld by a 1975 Cuyahoga County Probate Court Order Granting Authority to Invest. For these endowment monies, according to the Probate Court Order and a ruling from the Cuyahoga County Prosecutor, the Library may invest under *Ohio Revised Code* Sections 2109.37 and 2109.371.

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the Library's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years for the non-endowment funds.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Bonds and Notes, and the Federal National Mortgage Association Guaranteed Mortgage Passthru Certificate Pool are exposed to custodial credit risk in that 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 credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. To mitigate such custodial risk, the Library has appointed a qualified trustee as provided for in *Ohio Revised Code* Section 135.37, a financial institution with trust powers in the State of Ohio as custodian for the separate safekeeping of investment assets. Securities owned by the Library are held by the Library's custodian and the records of the custodian identify the Library's securities in the custodian's monthly statement to the Library.

***Credit Risk*** The Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Bonds and Notes, and the Federal National Mortgage Association Guaranteed Mortgage Passthru Certificate Pool all carry a rating of AAA by Standard & Poor's. STAROhio also carries a rating of AAA by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

***Concentration of Credit Risk*** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The Library's investment policy places no limit on the amount it may invest in any one issuer. The following is the Library's allocation as of December 31, 2008:

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	Investments
Federal Home Loan Bank Bonds	22.97%
Federal Farm Credit Bank Bonds	16.54%
STAROhio	11.89%
Federal Home Loan Mortgage Corp. Bonds	11.85%
Money Market/Principal Cash	10.44%
Federal National Mortgage Association Bonds	9.11%
Common and Convertible Preferred Stock	7.98%
Corporate Bonds	4.10%
FNMA Guaranteed Mortg. Passthru Certif. Pool	2.61%
U.S. Treasury Notes	1.97%
Federal National Mortgage Association Notes	0.54%

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Library district. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2007 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes which became a lien on December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out—the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2008, was \$6.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

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Category	Assessed Value
Real Estate	
Residential/Agricultural/Other	\$3,172,514,560
Other Real Estate	2,371,683,330
Tangible Personal Property	
Public Utility	222,204,080
General	110,576,498
Total Assessed Values	\$5,876,978,468

The Cuyahoga County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Cleveland Public Library. The County Auditor periodically remits to the Library its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**Note 7 - Receivables**

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), interest, and intergovernmental receivables. All receivables are deemed collectible in full.

The Library receives a substantial portion of its intergovernmental revenue from the Public Library Fund (PLF), (formerly the Library and Local Government Support fund or LLGSF), a State of Ohio fund based on a portion of the general revenues of Ohio as written in State law. The Cuyahoga County Budget Commission, consisting of the County Auditor, the County Treasurer and the County Prosecutor, allocate PLF monies to the nine library districts within Cuyahoga County, based on a determination of need. In 2008, the Library received 41.1843 percent of the countywide total, or \$26,433,765.

A summary of the principal items of intergovernmental receivables follows:

	Amount
PLF	\$12,312,714
Homestead, Rollback and Commercial Activity Tax	5,813,740
Library for the Blind & Physically Handicapped and Schweinfurth	31,251
Total	\$18,157,705

**Cleveland Public Library**  
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**Note 8 – Interfund Balances**

The general fund made advances to two non-major governmental funds, \$75,000 to the KnowItNow24x7 fund and \$20,000 to the Schweinfurth fund, both due to timing of the receipt of grant monies to the nonmajor funds. All interfund balances will be repaid within the following year.

**Note 9 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library maintains a variety of insurance policies, including coverage for automobiles and equipment, general liability, public officials, property, boilers and machinery as indicated in the table below. The general liability coverage is \$1 million with excess umbrella coverage of an additional \$25 million. Settled claims have not exceeded this coverage in any of the past three years.

Company	Type	Deductible	Coverage
Affiliated FM Ins. Co.	Property, Boiler & Machinery	\$100,000	\$400,000,000
Affiliated FM Ins. Co.	Flood/Earthquake	\$100,000 each	\$100,000,000 each
Ohio Casualty	Umbrella Liability	\$0	\$25,000,000
Philadelphia Ins. Co.	General Liability	\$0	\$1,000,000/\$2,000,000
Westfield Ins. Co.	Automobile Liability	\$500/\$500	\$1,000,000
Westfield Ins. Co.	Uninsured/Underinsured	\$0	\$25,000
Ohio Casualty/Travelers	Treasurer/Deputys' Surety Bonds	\$0	\$250,000 each
United National	Public Officials	\$50,000	\$1,000,000
Westfield Ins. Co.	Employee Fidelity	\$500	\$500,000

Workers' compensation is provided by the State. 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 Library provides medical and dental insurance on a paid premium basis. Other employee benefits include life insurance, short-term disability insurance and an IRC Section 125 flexible benefit plan.

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**Note 10 – Capital Assets**

A summary of changes in capital assets during 2008 follows:

	Balance 12/31/07	Additions	Deletions	Balance 12/31/08
<b>Governmental Activities</b>				
<i>Nondepreciable Capital Assets</i>				
Land	\$2,701,082	\$0	\$0	\$2,701,082
Construction in Progress	359,734	1,016,905	(522,195)	854,444
<i>Total Nondepreciable Capital Assets</i>	<u>3,060,816</u>	<u>1,016,905</u>	<u>(522,195)</u>	<u>3,555,526</u>
<i>Depreciable Capital Assets</i>				
Buildings/Improvements	149,482,455	315,654	0	149,798,109
Furniture/Equipment	2,625,506	140,802	(94,680)	2,671,628
Computers	4,910,158	117,212	0	5,027,370
Vehicles	779,570	19,500	(40,900)	758,170
<i>Total Depreciable Capital Assets</i>	<u>157,797,689</u>	<u>593,168</u>	<u>(135,580)</u>	<u>158,255,277</u>
<i>Less Accumulated Depreciation</i>				
Buildings/Improvements	(49,768,657)	(3,612,645)	0	(53,381,302)
Furniture/Equipment	(2,169,009)	(159,321)	94,680	(2,233,650)
Computers	(3,860,704)	(422,186)	0	(4,282,890)
Vehicles	(561,216)	(66,319)	40,900	(586,635)
<i>Total Accumulated Depreciation</i>	<u>(56,359,586)</u>	<u>(4,260,471) *</u>	<u>135,580</u>	<u>(60,484,477)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>101,438,103</u>	<u>(3,667,303)</u>	<u>0</u>	<u>97,770,800</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$104,498,919</u>	<u>(\$2,650,398)</u>	<u>(\$522,195)</u>	<u>\$101,326,326</u>

\*Depreciation expense was charged to governmental functions as follows:

Administration and Support	\$787,028
Public Services	3,473,443
	<u>3,473,443</u>
Total	<u>\$4,260,471</u>

**Note 11 – Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amount Due in One Year
Compensated Absences Payable	\$5,346,921	\$651,128	\$435,656	\$5,562,393	\$357,026
	<u>\$5,346,921</u>	<u>\$651,128</u>	<u>\$435,656</u>	<u>\$5,562,393</u>	<u>\$357,026</u>

Compensated absences will be paid from the general fund.



**Cleveland Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
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**Note 12 - Defined Benefit Pension Plans**

Plan Description—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, 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. For the year ended December 31, 2008, members in state and local classifications contributed 10.0% of covered payroll.

The Library's contribution rate for 2007 was 14.00 percent of covered payroll. For the period January 1 through December 31, 2008 a portion of the Library's contribution equal to 7.00 percent of covered payroll was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$4,709,095, \$4,511,207, and \$4,190,413 respectively; 89 percent has been contributed for 2008, and 100 percent has been contributed for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$36,346 made by the Library and \$25,961 made by the plan members.

**Note 13 – Post-Employment Benefits**

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

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten 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 require, OPERS to provide health care benefits to its eligible members and

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**Cuyahoga County**  
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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 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 administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.00 percent of covered payroll from January 1 through December 31, 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's 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, 2008, 2007, and 2006 were \$2,354,547, \$1,791,454 and \$1,376,551 respectively; 89 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

#### **Note 14 – Compensated Absences**

Full-time employees are entitled to up to 15 sick days per year and may earn and carry forward up to 120 days of sick leave at the end of the fiscal year. Upon retirement, with up to 25 years of service, employees receive one-half of their accumulated sick leave. For each year of service over 25 years, employees receive compensation for an additional 5 days of sick leave up to their entire accumulated amount. Vacation is earned based upon length of service and may be taken once earned, provided the employee works six months or more. Employees may carry forward up to 150 percent of their annual earned vacation leave at the end of any fiscal year.

#### **Note 15 - Litigation**

The Library is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Library's counsel that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Library.

**Cleveland Public Library**  
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**Note 16 – Operating Lease**

Cleveland Public Library entered into an operating lease on May 17, 2007 with Bridgeport Place LLC for a 3,517 square foot portion of the building located at 7201 Kinsman Road for the purpose of housing the Garden Valley Branch. The Library commenced monthly rent payments of \$4,689.33 in early 2008 once the space was available for occupancy. This is a cancelable lease that is renewable for 5 year periods. The Library has the right to terminate the lease with 90 days written notice if the Library experiences material reduction in revenues.

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**CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>FEDERAL GRANTOR</b>		Pass Through	Federal	
<i>Pass Through Grantor</i>	Project	Entity	CFDA	
Program Title	Number	Number	Number	Disbursements
<b>LIBRARY SERVICES AND TECHNOLOGY ACT (LSTA) -</b>				
<b>INSTITUTE OF MUSEUM &amp; LIBRARY SERVICES</b>				
<i>Passed Through State Library of Ohio</i>				
24-7 Virtual Reference Resource Sharing	II-1-07	N/A	45.310	\$334,766
24-7 Virtual Reference Resource Sharing	II-4-08	N/A	45.310	302,208
Blind & Physically Handicapped Project	IV-B-08	N/A	45.310	129,572
<b>TOTAL LIBRARY SERVICES AND TECHNOLOGY ACT (LSTA) -</b>				
<b>INSTITUTE OF MUSEUM &amp; LIBRARY SERVICES</b>				<b>766,546</b>
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>\$766,546</b>

*The accompanying notes are an integral part of this schedule.*

**CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Library's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not Applicable



# Mary Taylor, CPA

Auditor of State

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

Cleveland Public Library  
Cuyahoga County  
325 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above is also a material weakness.

We noted certain matters that we reported to the Library's management in a separate letter dated September 14, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matter that we reported to the Library's management in a separate letter dated September 14, 2009.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 14, 2009





# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Cleveland Public Library  
Cuyahoga County  
325 Superior Avenue  
Cleveland, Ohio 44114

To the Board of Trustees:

### Compliance

We have audited the compliance of the Cleveland Public Library, Cuyahoga County, Ohio, (the Library) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Library's major federal program. The Library's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Library's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Library's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Library's compliance with those requirements.

In our opinion, the Cleveland Public Library, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2008. In a separate letter to the Library's management dated September 14, 2009, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The Library's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for

the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to administer a federal program such that there is more than a remote likelihood that the Library's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Library's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 14, 2009

**CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Library Services and Technology Act (LSTA) – Institute of Museum & Library Services CFDA #45.310 24-7 Virtual Reference Resource Sharing Blind & Physically Handicapped Project
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2008

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2008-001**

**Statement on Auditing Standards 112 - Effects on Annual Financial Report – Material Weakness**

Paragraph 18 of the *Statement on Auditing Standards 112* documents that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

Sound financial reporting is the responsibility of the Finance Administrator and the Library Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Library's accounting records:

1. The Library adjusted Accounts Payable and public service expense in RFI that were understated by a projected amount totaling \$204,673. This adjustment affected not only the basic financial statements but also the Management's Discussion and Analysis.
2. The Library adjusted Reserve for Encumbrances in RFI that was overstated by a projected amount totaling \$162,912. This adjustment affected only the basic financial statements.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Library adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Library and thereby increasing the reliability of the financial data throughout the year.

**Officials' Response:**

The audit staff brought to our attention one construction-related accounts payable, check #16841 dated 1/9/09 to East West Construction for \$88,712, which became the primary basis for the audit adjustment. We agree that this check should have been recorded as an Accounts Payable with an offsetting reduction to Reserve for Encumbrances since it was properly encumbered at year end. The Accounting Department Supervisor reviewed the approximately 800 checks issued during January and February, 2009, to prepare the list of those liabilities constituting Accounts Payable as of December 31, 2008. I believe that by adding an additional supervisory review component to this annual year-end process, we will be able to eliminate this type of oversight error in the future.

**Auditor of State Conclusion:**

We appreciate the Library's willingness to enhance its supervisory reviews. We would suggest that high-dollar items such as the construction payment described above should be a special focus of the compilation process and its review.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



Mary Taylor, CPA  
Auditor of State

**CLEVELAND 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  
DECEMBER 10, 2009**