



**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2008 & 2007**



**Mary Taylor, CPA**  
Auditor of State



**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shaker Heights Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of December 31, 2008 and December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2010, 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 the Governmental Accounting Standards Board 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 12, 2010

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

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2008 are as follows:

- As of December 31, 2008, the disbursements are less than 2007 disbursements due to the new public library special revenue fund distribution formula which reduced the funding available.
- The Library's salaries and benefits decreased compared to 2007 due to employee vacancies and employees on disability leave.
- The Library's 2008 real estate collections increased compared to 2007 due to collections of past delinquencies collected in 2008.
- As of April 1, 2008, the Library now provides employer paid Medicare premium payments to Medicare eligible employees, including Medicare Supplement Plan C or F, Medicare Part B and D in lieu of the Library's group plan.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

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

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**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

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

**The School District as a Whole**

Table 1 provides a summary of the Library's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2008	2007	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$659,336	\$804,386	(\$145,050)
<b>Net Assets</b>			
Restricted for:			
Capital Outlay	\$6,595	\$95,700	(\$89,105)
Other Purposes	89,621	74,208	15,413
Unrestricted	563,120	634,478	(71,358)
Total Net Assets	\$659,336	\$804,386	(\$145,050)

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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Table 2 reflects the changes in net assets in 2008 compared to 2007 on a cash basis:

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

	Governmental Activities		
	2008	2007	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$132,084	\$135,628	(\$3,544)
Operating Grants and Contributions	7,391	1,495	5,896
<i>Total Program Receipts</i>	<u>139,475</u>	<u>137,123</u>	<u>2,352</u>
<b><i>General Receipts</i></b>			
Property Taxes	2,756,097	2,717,410	38,687
Grants and Entitlements Not Restricted to Specific Programs	2,227,131	2,203,959	23,172
Unrestricted Contributions and Donations	4,080	250	3,830
Interest	27,619	71,573	(43,954)
Miscellaneous	135,042	117,124	17,918
<i>Total General Receipts</i>	<u>5,149,969</u>	<u>5,110,316</u>	<u>39,653</u>
<i>Total Receipts</i>	<u>5,289,444</u>	<u>5,247,439</u>	<u>42,005</u>
<b>Disbursements:</b>			
Current:			
General Library Services	5,380,908	5,515,452	134,544
Capital Outlay	53,586	65,618	12,032
<i>Total Disbursements</i>	<u>5,434,494</u>	<u>5,581,070</u>	<u>146,576</u>
Excess of Receipts under Disbursements	(145,050)	(333,631)	188,581
Net Assets Beginning of Year	<u>804,386</u>	<u>1,138,017</u>	<u>(333,631)</u>
Net Assets End of Year	<u><u>\$659,336</u></u>	<u><u>\$804,386</u></u>	<u><u>(\$145,050)</u></u>

Property taxes and intergovernmental receipts in 2008 are 94.21 percent of total receipts. Earnings on investments decreased during 2008, as fewer funds were available for investment.

Disbursements for general library services represent the costs of running the library. These disbursements decreased in 2008 due to lower salary and benefit costs, primarily due to vacant positions.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2008*  
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**Governmental Activities**

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

(Table 3)

**Governmental Activities**

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$5,380,908	(\$5,241,433)	\$5,515,452	(\$5,378,079)
Capital Outlay	53,586	(53,586)	65,618	(65,618)
<i>Total Disbursements</i>	<u>\$5,434,494</u>	<u>(\$5,295,019)</u>	<u>\$5,581,070</u>	<u>(\$5,443,697)</u>

**The Library's Funds**

Total governmental funds had receipts in 2008 of \$5,289,444, and disbursements of \$5,434,494. The fund balance of the general fund decreased \$71,358 in 2008, primarily due to transfers out to the building fund for the purchase of capital items.

**General Fund Budgeting Highlights**

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

During calendar year 2008, the Library's general fund budget was stable. Final disbursements and transfers for 2008 were budgeted at \$5,830,050, while actual disbursements and transfers were \$5,529,187. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Shaker Heights Public Library**  
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*Management's Discussion and Analysis*  
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**Debt Administration**

At December 31, 2008, the Library had no debt obligations.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and LLGSF funding. During 2008, the Library did not experience any material growth in Local Government Support Funding from the State of Ohio. Also during this time, the Board of Trustees and Administration conservatively forecasted the Library's needs, and in December 2008 started work on a Strategic Plan to review current library services provided to the community.

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

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Piskac, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$659,336</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$6,595
Other Purposes	89,621
Unrestricted	<u>563,120</u>
<i>Total Net Assets</i>	<u><u>\$659,336</u></u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2008*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$5,380,908	\$132,084	\$7,391	(\$5,241,433)
Capital Outlay	53,586	0	0	(53,586)
<i>Total Governmental Activities</i>	<u>\$5,434,494</u>	<u>\$132,084</u>	<u>\$7,391</u>	<u>(5,295,019)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for General Purposes		2,756,097
		Grants and Entitlements not Restricted to Specific Programs		2,227,131
		Unrestricted Contributions and Donations		4,080
		Interest		27,619
		Miscellaneous		135,042
		<i>Total General Receipts</i>		<u>5,149,969</u>
		Change in Net Assets		(145,050)
		<i>Net Assets Beginning of Year</i>		<u>804,386</u>
		<i>Net Assets End of Year</i>		<u>\$659,336</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2008*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$563,120</u>	<u>\$96,216</u>	<u>\$659,336</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$197,335	\$12,867	\$210,202
Unreserved:			
Undesignated Reported in:			
General Fund	365,785	0	365,785
Special Revenue Funds	0	76,754	76,754
Capital Projects Funds	<u>0</u>	<u>6,595</u>	<u>6,595</u>
<i>Total Fund Balances</i>	<u>\$563,120</u>	<u>\$96,216</u>	<u>\$659,336</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$2,756,097	\$0	\$2,756,097
Intergovernmental	2,227,131	0	2,227,131
Patron Fines and Fees	132,084	0	132,084
Contributions and Donations	4,080	7,391	11,471
Earnings on Investments	21,853	5,766	27,619
Miscellaneous	119,249	15,793	135,042
<i>Total Receipts</i>	<u>5,260,494</u>	<u>28,950</u>	<u>5,289,444</u>
<b>Disbursements</b>			
Current:			
General Library Services	5,196,115	184,793	5,380,908
Capital Outlay	53,272	314	53,586
<i>Total Disbursements</i>	<u>5,249,387</u>	<u>185,107</u>	<u>5,434,494</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,107</u>	<u>(156,157)</u>	<u>(145,050)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	82,465	82,465
Transfers Out	(82,465)	0	(82,465)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,465)</u>	<u>82,465</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(71,358)	(73,692)	(145,050)
<i>Fund Balances Beginning of Year</i>	<u>634,478</u>	<u>169,908</u>	<u>804,386</u>
<i>Fund Balances End of Year</i>	<u><u>\$563,120</u></u>	<u><u>\$96,216</u></u>	<u><u>\$659,336</u></u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2008*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$2,738,060	\$2,901,961	\$2,756,097	(\$145,864)
Intergovernmental	2,216,755	2,311,037	2,227,131	(83,906)
Patron Fines and Fees	131,331	138,174	132,084	(6,090)
Contributions and Donations	4,057	4,268	4,080	(188)
Earnings on Investments	21,728	22,861	21,853	(1,008)
Miscellaneous	118,569	124,748	119,249	(5,499)
<i>Total Receipts</i>	<u>5,230,500</u>	<u>5,503,049</u>	<u>5,260,494</u>	<u>(242,555)</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,524,673	5,675,474	5,393,450	282,024
Capital Outlay	72,611	72,111	53,272	18,839
<i>Total Disbursements</i>	<u>5,597,284</u>	<u>5,747,585</u>	<u>5,446,722</u>	<u>300,863</u>
<i>Excess of Receipts Under Disbursements</i>	(366,784)	(244,536)	(186,228)	58,308
<b>Other Financing Uses</b>				
Transfers Out	(92,600)	(82,465)	(82,465)	0
<i>Net Change in Fund Balance</i>	(459,384)	(327,001)	(268,693)	58,308
<i>Fund Balance Beginning of Year</i>	459,385	459,385	459,385	0
Prior Year Encumbrances Appropriated	175,093	175,093	175,093	0
<i>Fund Balance End of Year</i>	<u>\$175,094</u>	<u>\$307,477</u>	<u>\$365,785</u>	<u>\$58,308</u>

See accompanying notes to the basic financial statements

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

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

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by Sections 3375.33 to 3375.41 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 Shaker Heights City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

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

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

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

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

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

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

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

***Basis of Presentation***

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

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

The statements of net assets present the cash balances of the governmental activities of the Library at year-end. The statement of activities compare disbursements with program receipts for each of the Library’s governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service. Program receipts include charges paid by the recipient of the program’s goods or services, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library’s general receipts.

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

***Fund Accounting***

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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

***Cash and Cash Equivalents***

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

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

During 2008, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2008 amounted to \$21,853, none of which was allocated from other Library funds.

***Inventory and Prepaids***

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

***Capital Assets***

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

***Accumulated Leave***

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

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

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

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

***Long-Term Obligations***

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

***Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for art, literature and the Library's branch location.

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

***Fund Balance Reserves***

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

***Estimates***

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2008 (budgetary basis), amounted to \$197,335.

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

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**Note 4 – Deposits and Investments**

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

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

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

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

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

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

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

***Investments***

As of December 31, 2008, the Library only had an investment of \$424,501 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of 53.80 days.

***Credit Risk*** Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy that addresses credit risk.

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

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Shaker Heights City School District. Property tax receipts received in 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 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute 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 semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property 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 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 3, with the remainder due September 20.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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The full tax rate for all Library operations for the year ended December 31, 2008, was \$4.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$926,108,350
Public Utility Property	9,871,720
Tangible Personal Property	3,243,846
Total Assessed Values	<u>\$939,223,916</u>

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

**Note 6 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Library contracted with Westfield Insurance Company for various types of insurance coverage as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Commercial Property	\$9,860,000
Valuable Papers/Library Materials	4,800,000
Automobile	6,000,000
Uninsured Motorists	1,000,000
Crime	10,000

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

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

**Note 7 – Interfund Transfers**

During 2008, the general fund transferred \$82,465 to the building capital projects fund. The transfer was made to move unrestricted balances to support projects accounted for in another fund.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
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**Note 8 - Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 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 percent of covered payroll.

The Library's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Library's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$256,408, \$255,662 and \$336,833 respectively. The full amount has been contributed for 2008, 2007 and 2006. Contributions to the member-directed plan for 2008 were \$14,210 made by the Library and \$10,150 made by the plan members.

**Note 9 - Postemployment Benefits**

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

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2008*

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Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll (17.4 percent for public safety and law enforcement). Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$142,449 \$144,442, and \$254,565 respectively; 100 percent has been contributed for 2008, 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective 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 healthcare plan.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2007*  
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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2007, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

- The Library changed their current vendors for leased books to Baker and Taylor, which saved the Library approximately \$23,000.
- The Library's current provider for health insurance increased their rates by 30 percent, which results in a \$70,900 increase to disbursements over a twelve-month period.
- On April 16, 2007, the Library celebrated its 70<sup>th</sup> year anniversary, recognizing departing and new Board members.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2007*  
*Unaudited*

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**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

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

**The School District as a Whole**

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$804,386	\$1,138,017	(\$333,631)
<b>Net Assets</b>			
Restricted for:			
Capital Outlay	\$95,700	\$68,394	\$27,306
Other Purposes	74,208	73,895	313
Unrestricted	634,478	995,728	(361,250)
Total Net Assets	\$804,386	\$1,138,017	(\$333,631)

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2007*  
*Unaudited*

Table 2 reflects the changes in net assets in 2007 compared to 2006 on a cash basis:

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

	Governmental Activities		
	2007	2006	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$135,628	\$129,169	\$6,459
Operating Grants and Contributions	1,495	3,060	(1,565)
<i>Total Program Receipts</i>	<u>137,123</u>	<u>132,229</u>	<u>4,894</u>
<b><i>General Receipts</i></b>			
Property Taxes	2,717,410	3,122,699	(405,289)
Grants and Entitlements Not Restricted to Specific Programs	2,203,959	1,849,598	354,361
Unrestricted Contributions and Donations	250	0	250
Interest	71,573	81,903	(10,330)
Miscellaneous	117,124	71,426	45,698
<i>Total General Receipts</i>	<u>5,110,316</u>	<u>5,125,626</u>	<u>(15,310)</u>
<i>Total Receipts</i>	<u>5,247,439</u>	<u>5,257,855</u>	<u>(10,416)</u>
<b>Disbursements:</b>			
Current:			
General Library Services	5,515,452	5,123,856	391,596
Capital Outlay	65,618	389,057	(323,439)
<i>Total Disbursements</i>	<u>5,581,070</u>	<u>5,512,913</u>	<u>68,157</u>
Excess of Receipts under Disbursements	(333,631)	(255,058)	(78,573)
Net Assets Beginning of Year	<u>1,138,017</u>	<u>1,393,075</u>	<u>(255,058)</u>
Net Assets End of Year	<u>\$804,386</u>	<u>\$1,138,017</u>	<u>(333,631)</u>

Property taxes and intergovernmental receipts in 2007 are 93.79 percent of total receipts. Earnings on investment were less than 2006 due to less cash to invest.

Disbursements for general library services represent the costs of running the library. The increase over 2006 is due to increased salary and benefit costs for Library staff.

Capital outlays decreased in 2007 due to less funds being spent on acquiring new assets as compared to 2006.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2007*  
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**Governmental Activities**

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

(Table 3)

**Governmental Activities**

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$5,515,452	(\$5,378,079)	\$5,123,856	(\$4,992,287)
Capital Outlay	65,618	(65,618)	389,057	(389,057)
<i>Total Disbursements</i>	\$5,581,070	(\$5,443,697)	\$5,512,913	(\$5,381,344)

**The Library's Funds**

Total governmental funds had receipts in 2007 of \$5,247,439, and disbursements of \$5,581,070. The fund balance of the general fund decreased \$361,250 in 2007, primarily due to increases in disbursements.

**General Fund Budgeting Highlights**

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

During calendar year 2007, the Library's general fund budget was stable. Final disbursements and transfers for 2007 were budgeted at \$5,794,089, while actual disbursements and transfers were \$5,771,508. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2007*  
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**Debt Administration**

At December 31, 2007, the Library had no debt obligations.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and LLGSF funding. During calendar year 2007, the Library did not experience any material growth in Local Government Support Funding from the State of Ohio. Also during this time, the Board of Trustees and Administration conservatively forecasted the Library's needs, and in December 2007 started work on a Strategic Plan to review current library services provided to the community.

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

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Piskac, Clerk-Treasurer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$804,386</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$95,700
Other Purposes	74,208
Unrestricted	<u>634,478</u>
<i>Total Net Assets</i>	<u>\$804,386</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Service	\$5,515,452	\$135,628	\$1,495	(\$5,378,329)
Capital Outlay	65,618	0	0	(65,618)
<i>Total Governmental Activities</i>	<u>\$5,581,070</u>	<u>\$135,628</u>	<u>\$1,495</u>	<u>(5,443,947)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for General Purposes		2,717,410
		Grants and Entitlements not Restricted to Specific Programs		2,203,959
		Unrestricted Contributions and Donations		250
		Interest		71,573
		Miscellaneous		117,124
		<i>Total General Receipts</i>		<u>5,110,316</u>
		Change in Net Assets		(333,631)
		<i>Net Assets Beginning of Year</i>		<u>1,138,017</u>
		<i>Net Assets End of Year</i>		<u>\$804,386</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$634,478	\$95,700	\$74,208	\$804,386
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$175,093	\$0	\$0	\$175,093
Unreserved:				
Undesignated, Reported in:				
General Fund	459,385	0	0	459,385
Special Revenue Funds	0	0	74,208	74,208
Capital Projects Funds	0	95,700	0	95,700
<i>Total Fund Balances</i>	<u>\$634,478</u>	<u>\$95,700</u>	<u>\$74,208</u>	<u>\$804,386</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,717,410	\$0	\$0	\$2,717,410
Intergovernmental	2,203,959	0	0	2,203,959
Patron Fines and Fees	135,628	0	0	135,628
Contributions and Donations	250	0	1,495	1,745
Earnings on Investments	62,649	4,303	4,621	71,573
Miscellaneous	115,269	0	1,855	117,124
<i>Total Receipts</i>	<u>5,235,165</u>	<u>4,303</u>	<u>7,971</u>	<u>5,247,439</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,330,295	180,736	4,421	5,515,452
Capital Outlay	56,120	6,261	3,237	65,618
<i>Total Disbursements</i>	<u>5,386,415</u>	<u>186,997</u>	<u>7,658</u>	<u>5,581,070</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(151,250)</u>	<u>(182,694)</u>	<u>313</u>	<u>(333,631)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	210,000	0	210,000
Transfers Out	(210,000)	0	0	(210,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(210,000)</u>	<u>210,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(361,250)	27,306	313	(333,631)
<i>Fund Balances Beginning of Year</i>	<u>995,728</u>	<u>68,394</u>	<u>73,895</u>	<u>1,138,017</u>
<i>Fund Balances End of Year</i>	<u><u>\$634,478</u></u>	<u><u>\$95,700</u></u>	<u><u>\$74,208</u></u>	<u><u>\$804,386</u></u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$2,914,866	\$2,898,387	\$2,717,410	(\$180,977)
Intergovernmental	2,322,853	2,312,930	2,203,959	(108,971)
Patron Fines and Fees	144,346	143,619	135,628	(7,991)
Contributions and Donations	266	265	250	(15)
Earnings on Investments	66,676	66,340	62,649	(3,691)
Miscellaneous	58,794	58,498	115,269	56,771
<i>Total receipts</i>	<u>5,507,801</u>	<u>5,480,039</u>	<u>5,235,165</u>	<u>(244,874)</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,950,088	5,502,360	5,502,360	0
Capital Outlay	98,566	81,729	59,148	22,581
<i>Total Disbursements</i>	<u>6,048,654</u>	<u>5,584,089</u>	<u>5,561,508</u>	<u>22,581</u>
<i>Excess of Receipts Under Disbursements</i>	(540,853)	(104,050)	(326,343)	(222,293)
<b>Other Financing Uses</b>				
Transfers Out	(210,000)	(210,000)	(210,000)	0
<i>Net Change in Fund Balance</i>	(750,853)	(314,050)	(536,343)	(222,293)
<i>Fund Balance Beginning of Year</i>	750,853	750,853	750,853	0
Prior Year Encumbrances Appropriated	244,875	244,875	244,875	0
<i>Fund Balance End of Year</i>	<u>\$244,875</u>	<u>\$681,678</u>	<u>\$459,385</u>	<u>(\$222,293)</u>

See accompanying notes to the basic financial statements

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**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by Sections 3375.33 to 3375.41 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 Shaker Heights City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

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

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

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

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

***Basis of Presentation***

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

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

The statements of net assets present the cash balances of the governmental activities of the Library at year-end. The statements of activities compare disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service. Program receipts include charges paid by the recipient of the program's goods or services, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

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

***Fund Accounting***

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

## Shaker Heights Public Library

### Cuyahoga County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2007

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

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

Building Fund - The building fund accounts for monies set aside by the Board of Library Trustees for major capital and technology improvements.

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

#### ***Basis of Accounting***

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

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

#### ***Budgetary Process***

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

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

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

***Cash and Cash Equivalents***

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

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

During 2007, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2007 amounted to \$62,649, which includes \$6,194 allocated from other Library funds.

***Inventory and Prepaids***

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

***Capital Assets***

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

***Accumulated Leave***

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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

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

***Long-Term Obligations***

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

***Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for art, literature, and the Library's branch location.

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

***Fund Balance Reserves***

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

***Estimates***

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2007 (budgetary basis), amounted to \$175,093.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 4 – Deposits and Investments**

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

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

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

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

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

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2007, the carrying amount of the Library's deposits was \$240,865 and the bank balance was \$490,865. The deposits are subject to FDIC insurance in the amount of \$250,000 and all deposits in excess of that amount are secured by deposits pledged by the financial institution. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the 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 contained in ORC Section 135. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

As of December 31, 2007, the Library only had an investment of \$384,849 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of 41 days.

***Credit Risk*** Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy that addresses credit risk.

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

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Shaker Heights City School District. Property tax receipts received in 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and 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 3, with the remainder due September 20.

The full tax rate for all Library operations for the year ended December 31, 2007, was \$4.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$ 933,671,870
Public Utility Property	15,113,730
Tangible Personal Property	8,670,762
Total Assessed Values	<u>\$957,456,362</u>

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

**Note 6 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Library contracted with Westfield Insurance Company for various types of insurance coverage as follows:

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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

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

**Note 7 – Interfund Transfers**

During 2007, the general fund transferred \$210,000 to the building capital projects fund. The transfer was made to move unrestricted balances to support projects accounted for in another fund.

**Note 8 - Defined Benefit Pension Plan**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Library's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1, through June 30, 2007, a portion of the Library's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. 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, 2007, 2006, and 2005 were \$255,662, \$336,833, and \$353,291 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 were \$12,500 made by the Library and \$8,574 made by the plan members.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 9 - Postemployment Benefits**

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

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

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 - 7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 through December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$144,442, \$254,565, and \$235,310 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective 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 healthcare plan.



# 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*

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

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 Shaker Heights Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2008 and December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 12, 2010, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our 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.

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.

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

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 12, 2010



Mary Taylor, CPA  
Auditor of State

SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 16, 2010