



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLEVELAND PUBLIC LIBRARY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements - For the Year Ended December 31, 1999	3
Notes to the General Financial Statements	13
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	27

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Cleveland Public Library
Cuyahoga County
325 Superior Avenue
Cleveland, Ohio 44114

We have audited the accompanying general-purpose financial statements of the Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cleveland Public Library, Cuyahoga County, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2000 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 grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

July 26, 2000

This page intentionally left blank.

CLEVELAND PUBLIC LIBRARY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE PERIOD ENDED DECEMBER 31, 1999
 WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary Fund Type		Account Groups			Totals	
	General	Special Revenue	Capital Projects	Trust	General Fixed Assets	General Long-Term Obligations	Current Year	(Memorandum Only) Prior Year		
ASSETS										
Assets:										
Cash and Cash	\$6,120,069	\$153,502	\$8,399,967	\$12,873,232	\$	\$	\$27,546,770	\$33,400,243		
Receivables	20,248,803			10,083			20,258,886	20,300,101		
Due from Other Governments		9,000					9,000	77,695		
Due from Other Funds	28,200						28,200	112,700		
Inventory of Supplies	387,804						387,804	412,401		
Prepaid Items & Other Assets	975						975	15,297		
Fixed Assets					163,521,078		163,521,078	153,563,677		
Long Term Assets						3,552,032	3,552,032	3,504,360		
Inexhaustible Collections										
TOTAL ASSETS	\$26,785,851	\$162,502	\$8,399,967	\$12,883,315	\$163,521,078	\$3,552,032	\$215,304,745	\$211,386,474		

CLEVELAND PUBLIC LIBRARY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE PERIOD ENDED DECEMBER 31, 1999
 WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary Fund Type		Account Groups		Totals	
	General	Special Revenue	Capital Projects	Trust	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)		
							Current Year	Prior Year	
LIABILITIES AND EQUITY									
Liabilities:									
Accounts Payable	\$1,906,698	\$5,301	\$1,656,270	\$13,939	\$	\$	\$3,582,208	\$6,996,747	
Accrued Liabilities	2,101,168					3,552,032	5,653,200	5,696,617	
Other Liabilities	39,719						39,719	36,696	
Due to Other Funds		13,000		15,200			28,200	112,700	
Deferred Revenue	20,060,977						20,060,977	20,077,029	
Total Liabilities	\$24,108,562	\$18,301	\$1,656,270	\$29,139	\$	\$3,552,032	\$29,364,304	\$32,919,789	
Equity:									
Investment in Fixed Assets					163,521,078		163,521,078	153,563,677	
Reserved for Encumbrances	3,034,020	58,555	58,217	51,771			3,202,563	7,420,192	
Reserved for Endowments				2,504,891			2,504,891	2,207,679	
Reserved for Inventory	387,804						387,804	412,401	
Reserved for Prepaid Accts.	975						975	15,297	
Unreserved Fund Balances	(745,510)	85,646	6,685,480	10,297,514			16,323,130	14,847,439	
Total Equity	\$2,677,289	\$144,201	\$6,743,697	\$12,854,176	\$163,521,078	\$	\$185,940,441	\$178,466,685	
TOTAL LIABILITIES AND EQUITY	\$26,785,851	\$162,502	\$8,399,967	\$12,883,315	\$163,521,078	\$3,552,032	\$215,304,745	\$211,386,474	

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

WITH COMPARATIVE TOTALS FOR THE PRIOR FISCAL YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Capital Projects	Fund Type	Current Year	Prior Year
Revenues:						
Taxes	\$17,964,519	\$0	\$0	\$0	\$17,964,519	\$12,225,202
Intergovernmental	30,049,937	211,103	0	0	30,261,040	26,441,646
Fines and Fees	560,540	0	0	7,572	568,112	628,877
Investments Earnings	771,511	0	0	509,759	1,281,270	2,459,099
Charges for Services	1,724,490	0	0	0	1,724,490	1,586,736
Donations	0	199,500	0	312,968	512,468	455,455
Miscellaneous	219,279	0	0	0	219,279	279,857
Total Revenues	\$51,290,276	\$410,603	\$0	\$830,299	\$52,531,178	\$44,076,872
Expenditures:						
Administrative & Support	16,745,207	0	0	111,703	16,856,910	15,074,576
Public Service	27,793,598	220,402	0	226,524	28,240,524	27,978,534
Capital Outlay	866,549	46,000	9,914,798	39,958	10,867,305	18,391,326
Total Expenditures	\$45,405,354	\$266,402	\$9,914,798	\$378,185	\$55,964,739	\$61,444,436
Excess of Revenues Over Expenditures	\$5,884,922	\$144,201	(\$9,914,798)	\$452,114	(\$3,433,561)	(\$17,367,564)
Other Financing Sources (Uses):						
Transfers - In	0	0	5,385,116	4,688	\$5,389,804	4,524,818
Transfers - Out	(5,389,804)	0	0	0	(\$5,389,804)	(4,524,818)
Total Other Financing Sources (Uses)	(\$5,389,804)	\$0	\$5,385,116	\$4,688	\$0	\$0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	495,118	144,201	(4,529,682)	456,802	(3,433,561)	(17,367,564)

CLEVELAND PUBLIC LIBRARY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
WITH COMPARATIVE TOTALS FOR THE PRIOR FISCAL YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Capital Projects	Fund Type	Current Year	Prior Year
Fund Balances, January 1	2,221,090	0	11,273,379	Expendable Trust	17,522,419	34,905,551
Changes in Reserved Fund Balances	(38,919)	0	0		(38,919)	(15,568)
Fund Balances, December 31	<u>\$2,677,289</u>	<u>\$144,201</u>	<u>\$6,743,697</u>		<u>\$14,049,939</u>	<u>\$17,522,419</u>

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$18,270,530	\$17,964,519	(\$306,011)
Intergovernmental	29,783,097	30,121,999	338,902
Fees & Fees	600,000	563,646	(36,354)
Investment Earnings	750,000	923,759	173,759
Charges for Services	1,550,000	1,657,392	107,392
Miscellaneous	150,000	219,279	69,279
Total Revenues	\$51,103,627	\$51,450,594	\$346,967
Expenditures:			
Administrative & Support	16,867,561	16,867,561	0
Public Service	27,743,124	27,743,124	0
Capital Outlay	1,000,235	1,000,235	0
Total Expenditures	\$45,610,920	\$45,610,920	\$0
Excess of Revenues Over Expenditures	\$5,492,707	\$5,839,674	\$346,967
Other Financing Sources (Uses):			
Transfers - Out	(5,389,804)	(5,389,804)	0
Advances - In	84,500	84,500	0
Total Financing Sources (Uses)	(\$5,305,304)	(\$5,305,304)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	187,403	534,370	346,967
Fund Balances, January 1	4,664,440	4,664,440	0
Prior Year's Encumbrances Appropriated	(4,141,388)	(4,141,388)	0
Fund Balances, December 31	\$710,455	\$1,057,422	\$346,967

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	508,503	208,503	(300,000)
Donations	355,000	199,500	(155,500)
Total Revenues	<u>863,503</u>	<u>408,003</u>	<u>(455,500)</u>
Expenditures:			
Administrative & Support	0	0	0
Public Service	443,717	246,505	197,212
Capital Outlay	358,597	23,663	334,934
Total Expenditures	<u>802,314</u>	<u>270,168</u>	<u>532,146</u>
Excess of Revenues Over Expenditures	61,189	137,835	76,646
Other Financing Sources (Uses):			
Advances - Out	(61,200)	(48,200)	13,000
Total Financing Sources (Uses)	<u>(61,200)</u>	<u>(48,200)</u>	<u>13,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11)	89,635	89,646
Fund Balances, January 1	61,125	61,125	0
Prior Year's Encumbrances Appropriated	(61,114)	(61,114)	0
Fund Balances, December 31	<u>0</u>	<u>89,646</u>	<u>89,646</u>

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL CAPITAL PROJECTS FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment Earnings	\$0	\$0	\$0
Total Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures:			
Administrative & Support	0	0	0
Public Service	0	0	0
Capital Outlay	9,165,680	5,808,415	3,357,265
Total Expenditures	<u>\$9,165,680</u>	<u>\$5,808,415</u>	<u>\$3,357,265</u>
Excess of Revenues Over Expenditures	<u>(\$9,165,680)</u>	<u>(\$5,808,415)</u>	<u>(\$3,357,265)</u>
Other Financing Sources (Uses):			
Transfers - In	2,015,000	5,385,116	3,370,116
Advances - Out	0	(41,900)	(41,900)
Total Financing Sources (Uses)	<u>\$2,015,000</u>	<u>\$5,343,216</u>	<u>\$3,328,216</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(7,150,680)</u>	<u>(465,199)</u>	<u>6,685,481</u>
Fund Balances, January 1	17,221,676	17,221,676	0
Prior Year's Encumbrances Appropriated	(10,070,996)	(10,070,996)	0
Fund Balances, December 31	<u>\$0</u>	<u>\$6,685,481</u>	<u>\$6,685,481</u>

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$18,270,530	\$17,964,519	(\$306,011)
Intergovernmental	30,330,600	30,330,502	38,902
Fees & Fees	600,000	563,646	(36,354)
Investment Earnings	750,000	923,759	173,759
Charges for Services	1,550,000	1,657,392	107,392
Donations	355,000	199,500	(155,500)
Miscellaneous	150,000	219,279	69,279
Total Revenues	\$51,967,130	\$51,858,597	(\$108,533)
Expenditures:			
Administrative & Support	16,867,561	16,867,561	0
Public Service	28,186,841	27,989,630	197,211
Capital Outlay	10,524,512	6,832,312	3,692,200
Total Expenditures	\$55,578,914	\$51,689,503	\$3,889,411
Excess of Revenues Over Expenditures	(\$3,611,784)	\$169,094	\$3,780,878
Other Financing Sources (Uses):			
Transfers - In	2,015,000	5,385,116	3,370,116
Transfers - Out	(5,389,804)	(5,389,804)	0
Advances - Out	(61,200)	(90,100)	(28,900)
Advances - In	84,500	84,500	0
Total Financing Sources (Uses)	(\$3,351,504)	(\$10,288)	\$3,341,216
Excess (Deficiency) of Revenues and Other Financing Sources over (Under) Expenditures and Other Financing Uses	(6,963,288)	158,806	7,122,094
Fund Balances, January 1	21,947,242	21,947,242	0
Prior Year's Encumbrances Appropriated	(14,273,499)	(14,273,499)	0
Fund Balances, December 31	\$710,455	\$7,832,549	\$7,122,094

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND EQUITY - NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
 WITH COMPARATIVE TOTALS FOR THE PRIOR FISCAL YEAR ENDED DECEMBER 31, 1998

	Fiduciary		Totals	
	Fund Type	(Memorandum Only)	Current Year	Prior Year
Operating Revenues:				
Investments Earnings	\$956,563	\$956,563	\$1,317,772	
Donations	262,620	262,620	609,020	
Miscellaneous	94	94	25	
Total Operating Revenues	\$1,219,277	\$1,219,277	\$1,926,817	
Operating Expenses:				
Supplies	0	0	1,992	
Purchased/Contracted Svcs	52,580	52,580	24,855	
Library Matls/Information	42,238	42,238	42,178	
Capital Outlay	135,625	135,625	373,700	
Other Objects	1	1	0	
Total Operating Expenses	\$230,444	\$230,444	\$442,725	
Operating Income	\$988,833	\$988,833	\$1,484,092	
Nonoperating Revenues (Expenses):				
Net Income before Extraordinary Items	\$988,833	\$988,833	\$1,484,092	
Extraordinary Items	0	0	0	
Net Income	988,833	988,833	1,484,092	
Fund Equity, January 1	7,380,591	7,380,591	5,896,500	
Fund Equity, December 1	\$8,369,424	\$8,369,424	\$7,380,592	

The Notes to the Financial Statements are an integral part of this statement.

CLEVELAND PUBLIC LIBRARY
 STATEMENT OF CASH FLOWS-NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
 WITH COMPARATIVE TOTALS FOR THE PRIOR FISCAL YEAR ENDED DECEMBER 31, 1998

	Fiduciary Fund Type	Total (Memorandum Only)
	Nonexpendable Trust	Prior Year
Cash Flows From Operating Activities		
Operating Income	988,833	1,484,091
Increase (Decrease) in Account Payable	(540)	910
Increase (Decrease) in Accrued Liabilities	0	0
Net Adjustments	(540)	910
Net Cash Provided (Used) by Operating Activities	988,293	1,485,001
Net Increases in Cash and Investments	988,293	1,485,001
Cash and Investments January 1	7,371,789	5,896,788
Cash and Investments December 31	8,360,082	7,381,789

The Notes to the Financial Statements are an integral part of this statement.

**CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 1 - REPORTING ENTITY

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

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Board of Education.

Friends of Cleveland Public Library is a federal tax-exempt, not-for-profit organization under section 501 (C) (3) of the Internal Revenue Code. The Friends organization was developed by community members who support the Library through fund-raising activities to support Library levies, fund scholarships, hold programs and lectures, conduct book sales, provide tour guides, mail solicitations to Cleveland area residents, publish newsletters and book reviews, operate gift shop, and develop Library related products. The Library exercised no financial control over this not-for-profit organization, therefore, this organization has been excluded from the reporting entity of the Library. The Library received \$25,660 in financial contributions from the Friends organization during the fiscal period January 1, 1999 through December 31, 1999. Total cash assets (unaudited) of the Friends of Cleveland Public Library at December 31, 1999 amounted to \$470,175. The Friends Treasurer's Report (unaudited) can be obtained through the Friends' office in the care of Nancy Mahoney and Mary Scelsi- Co-Directors - Friends of the Cleveland Public Library.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and financial reporting practices of the Library conform with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's accounting system is organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses.

Individual funds and account groups which are used by the Library and summarized in the accompanying combined financial statements are classified below.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The following are the Library's governmental fund types:

General Fund: To account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the general laws of the State of Ohio.

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds: To account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Fiduciary funds account for assets held in a trustee capacity.

Trust Funds: To account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Non-expendable Trust Funds.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group: To account for all general fixed assets of the Library.

General Long-Term Obligation Account Group: To account for all general long-term obligations of the Library.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

All governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they became measurable and available to pay current period liabilities. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Library is 60 days. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The non-expendable trust funds are accounted for on the accrual basis. Revenues are recognized when earned, and expenses are recognized when incurred.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include interest on investments. Other miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Property taxes measurable as of December 31, 1999, but not intended to finance 1999 activities, have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue will be removed from the combined balance sheet and revenue will be recognized.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. 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 certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds are required to be budgeted and appropriated. The primary level of budgetary control is at the character or major category of the object code. Budgetary modifications at the character level may only be made by resolution of the Board of Trustees.

Tax Budget: A tax budget of estimated revenues and expenditures for all funds other than agency funds is submitted to the Board of Education by May 31 of each year, for the period January 1 to December 31, of the following year. As taxing authority, it is the responsibility of the Board of Education to submit the Library's tax budget to the County Budget Commission. The Board of Education is not authorized to make changes to the Library's budget.

Estimated Resources: The County Budget Commission certifies its actions to the Library by October 1. As part of this certification, the Library receives the official certificate of estimated resources which states the projected revenue of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Library must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The certificate may be further amended during the year if the Clerk-Treasurer determines and the County Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued for 1999.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations: A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed prior to April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed the total of estimated revenue and the beginning fund balance. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparison represent the final appropriation amounts, including all amendments and modifications.

The governmental fund types for which the Library budgets expenditures are the General, Special Revenue and Capital Projects Funds. An annual appropriation is prepared for the General Fund. Special Revenue Fund budgets/appropriations are governed by the terms of the grants which were the basis for establishing these funds. Capital Projects Funds are budgeted on a project basis. Unreserved Special Revenue or Capital Project fund balances are reappropriated at the beginning of each year and listed on the appropriation measure. The Expendable and Non-Expendable Trusts are budgeted/appropriated, in the sense that expenditures cannot exceed unreserved fund balances plus income and amounts are listed on the appropriation measure.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures.

D. Cash and Investments

To improve cash management, cash received by the Library is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Library's records.

During this fiscal year, investments were limited to STAROhio, repurchase agreements, treasury notes and federal agency securities, with the exception of the Library's Trust Funds. The Trust Funds are able to invest in common and preferred stock as upheld by a 1975 Cuyahoga County Probate Court Order Granting Authority To Invest. For Trust Funds, according to the Probate Court Order and a ruling from the Cuyahoga County Prosecutor, the Library may invest under Ohio Revised Code Sections 2109.37 and 2109.371.

Interest and dividends earned on all funds when the use of such earnings are not restricted by law are recorded in the General Fund with the following exception. Investment earnings attributable to Expendable Trust Fund balances are recorded in the Expendable Trusts.

While in the process of dissolving the Library Improvements Fund (a Capital Projects Fund), investment earnings attributable to that fund were transferred monthly from the General Fund to the Building and Repair Fund (a Capital Project Fund).

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

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

E. Inventory

Inventories are valued at average cost. In the Governmental Funds, the costs of inventories are recorded as expenditures when purchased; however, inventories are reported as assets of the respective funds. Reported inventories are equally offset by reservations of fund balances.

F. Prepaid

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. Prepaid items consist primarily of agreements and rent.

G. Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Property, buildings, furnishings, equipment and vehicles acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Asset Account Group. Where cost could not be determined from available records, estimated historical cost was used to record the estimated value of the assets.

H. Inexhaustible Collections and Books

Because the values of inexhaustible collections, including research books and other library materials, are not readily determined, the Library has not capitalized them. Other library materials used in the circulating collections have not been capitalized because their estimated useful lives are less than the fixed asset capitalization threshold.

I. Long-term Obligations

The Library has one type of long-term obligation: compensated absences. The Library records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, payment of the obligation is probable and the obligation can be reasonably determined. While the current portion of unpaid leave is recorded in the respective fund, the long-term portion of unpaid leave is recorded in the General Long-Term Obligation Account Group.

J. Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure including amounts that are legally segregated for a specific future use. As a result, encumbrances, endowments, inventories, and prepaid expenses are recorded as a reservation of fund balances.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

L. Total Columns

Total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

M. Estimates

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

NOTE 3 - FUND DEFICITS

The Schweinfurth Expendable Trust Fund had a deficit fund balance of \$194 at December 31, 1999. This deficit balance resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

NOTE 4 - COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Library's financial position and results of operations.

The Internal Revenue Service Fund was dissolved in 1998. Therefore, information related to that fund was removed from the financial statements' presentation entitled "Totals (Memorandum Only) - Prior Year".

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements for governmental funds to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types
December 31, 1999

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$ 495,118	\$ 144,201	\$ (4,529,682)
Revenues:			
Accrued in 1998, received in cash in 1999	262,176	6,400	0
Accrued in 1999, but not yet received in cash	(101,857)	(9,000)	0
Expenditures/expenses:			
Accrued in 1998, paid in cash in 1999	(3,133,225)	(67,525)	(5,948,297)
Accrued in 1999, but not yet paid in cash	3,811,489	18,301	1,656,270
Encumbrance reserved as of January 1, 1999	4,141,387	61,114	10,070,996
Encumbrance reserved as of December 31, 1999	<u>(4,940,718)</u>	<u>(63,856)</u>	<u>(1,714,486)</u>
Budgetary Basis	\$ <u>534,370</u>	\$ <u>89,635</u>	\$ <u>(465,199)</u>

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS

A. Classification of Monies

State statutes classify monies held by the Library into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Inactive deposits are public deposits the Library has identified as not required for use within the current two-year period of designation of depositories. 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. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

A. Classification of Monies (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The assurance 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.

B. Deposits

At year-end, the carrying amount of the Library's cash deposits was \$(138,526) and the bank balance was \$325,739. Of this balance, \$172,583 was insured by the Federal Depository Insurance Corporation (credit risk category 1). The remaining balance of \$153,156 was collateralized by a collateral pool in which the Library had a proportionate interest. The balance in the pool was collateralized with securities held by the bank or its agent but not in the Library's name (credit risk category 3).

C. Investments

The Library's investments are categorized to give an indication of the level of risk assumed by the Library. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the Library's name.

The Library had several investments outstanding at December 31, 1999:

	<u>Category 3</u>	<u>Carry/Market Value</u>
Repurchase Agreement	\$ 4,063,658	\$ 4,063,658
Investment Accounts:		
Fed. Nat'l. Mortgage Assn.	\$ 2,975,797	\$ 2,975,797
Fed. Home Loan Bank	5,430,212	5,430,212
Federal Home Loan Mortgage Corp.	<u>2,472,857</u>	<u>2,472,857</u>
Subtotal	\$ 10,878,866	\$ 10,878,866
Endowment Fund Portfolio:		
Common and Convertible Preferred Stock	\$ 8,281,743	\$ 8,281,743
Corporate Bonds	1,355,769	1,355,769
U.S. Treasury Notes	1,896,785	1,896,785

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

Federal Nat'l. Mortgage Assn.	248,604	248,604
Federal Home Loan Bank	243,282	243,282
Nat'l. Rural Util. Corp.	97,089	97,089
Money Market/Principal Cash	<u>619,500</u>	<u>619,500</u>
Subtotal	\$ 12,742,772	\$ 12,742,772
Total Investments	\$ <u>27,685,296</u>	\$ <u>27,685,296</u>

NOTE 7 - TAXES

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Cleveland Public Library. The County Auditor periodically remits to the Library its portion of the taxes collected with a final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

Property taxes include amounts levied against all real, public utility, and tangible personal property which is used in business and located in the taxing district. Real property taxes are levied each January 1st on the assessed value listed as of the prior January 1st. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of all property is required to be completed no less than every six years and is updated every three years. Taxes levied in January are due and collectible January and July of the billing year. The lien date for real property taxes is January 1st of each tax year.

Taxes collected from tangible personal property (other than public utility property) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually.

If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The full tax rate for all Library operations for the year ended December 31, 1999 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

**CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 7 - TAXES (Continued)

Real Property	
Residential/Agricultural	\$ 2,072,147,420
Commercial Industrial	2,043,882,210
Tangible Personal Property	<u>1,395,127,541</u>
Total	<u>\$ 5,511,157,171</u>

NOTE 8 - INTERGOVERNMENTAL

The Library receives a substantial portion of its intergovernmental revenue from the Library and Local Government Support Fund (LLGSF), a State of Ohio fund. A part of the State Income Tax is the revenue source for the LLGSF which is collected by the State and distributed to each county within the State. Each county receives an amount of the LLGSF based on a formula within State Law. The Cuyahoga County Budget Commission, consisting of the County Auditor, the County Treasurer, and the County Prosecuting Attorney, allocate LLGSF funds to the nine library districts within Cuyahoga County based on a determination of need. In 1999 the Library received 41.2041 percent of the countywide total or \$27,183,863.

NOTE 9 - RECEIVABLES

Receivables as of December 31, 1999 consist of the following:

	<u>General Fund</u>	<u>Trusts</u>	<u>Totals</u>
Taxes	\$ 20,060,977	\$0	\$ 20,060,977
Accounts Receivable	143,265	0	143,265
Interest Receivable	44,561	0	44,561
Grants Receivable	<u>0</u>	<u>10,083</u>	<u>10,083</u>
Total	<u>\$ 20,248,803</u>	<u>\$ 10,083</u>	<u>\$ 20,258,886</u>

**CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 10 - DUE TO/FROM OTHER FUNDS

Interfund advances not repaid as of December 31, 1999 consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 28,200	\$ 0
Special Revenue Fund US-HUD-EDI	0	13,000
Trust Fund Schweinfurth	<u>0</u>	<u>15,200</u>
TOTAL	<u>\$ 28,200</u>	<u>\$ 28,200</u>

NOTE 11 - CHANGES IN GENERAL FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1999 are as follows:

<u>ACCOUNT</u>	<u>JANUARY 1</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>DECEMBER 31</u>
Land	\$ 2,680,202	\$ 0	\$ 0	\$ 2,680,202
Buildings	103,683,831	42,301,683	0	145,985,514
Furniture/Equipment	7,075,229	1,422,165	335,865	8,161,529
Computers	6,000,197	672,158	310,161	6,362,194
Vehicles	308,446	60,772	37,579	331,639
Construction in Progress	33,815,772	0	33,815,772	0
Totals	<u>\$153,563,677</u>	<u>\$ 4,456,778</u>	<u>\$ 34,499,377</u>	<u>\$ 163,521,078</u>

NOTE 12 - LONG-TERM OBLIGATIONS

General Long Term Obligations are comprised of compensated absences only, in the amount of \$3,552,032 as of December 31, 1999. Compensated absences are paid from the General Fund.

NOTE 13 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library maintains a variety of insurance policies including coverage for automobiles and equipment, general liability, public officials, property, boilers, and machinery. The general liability coverage is \$1 million with excess umbrella coverage of an additional \$50 million. The amount of settlements did not exceed coverage for each of the past three years.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 13 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the Library participated in the Ohio Net Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Library by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating libraries is calculated as one experience and a common premium rate is applied to all libraries in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to libraries that can meet the GRP's selection criteria annually. The Frank Gates Service Company provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - PENSION PLAN OBLIGATIONS

The pension plan obligation disclosure presented is based on the Library's implementation of GASB 27 in 1995.

A. Public Employment Retirement System

All Library employees are required to be members and to participate in the Public Employees Retirement System of Ohio (PERS). This is a cost-sharing multiple-employer defined benefit pension plan created by the State of Ohio.

PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-614-466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5 percent for employees. The 1999 local government employer rate was 13.55 percent of covered payroll.

The Library's contribution requirement to PERS for the years ended December 31, 1999, 1998, and 1997 were \$2,909,743, \$2,790,266, and \$2,644,043 respectively, 73.14 percent has been contributed for 1999 and 100 percent for the fiscal years 1998 and 1997. \$781,538 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the fund.

B. Postemployment Benefits

The Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 local government employer PERS rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care in 1999.

CLEVELAND PUBLIC LIBRARY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 14 - PENSION PLAN OBLIGATIONS (Continued)

B. Postemployment Benefits (Continued)

Benefits are funded on a pay as you go basis. Other Post Employment Benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Expenditures for benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future benefit payments were \$9,870,285,641. The number of benefit recipients eligible for Other Post Employment Benefits at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to Other Post Employment Benefits. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 15 - COMPENSATED ABSENCES

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

As of December 31, 1999, the liabilities for accumulated governmental funds' sick pay and vacation were \$3,117,527 and \$1,194,821, respectively. These sick pay and vacation liabilities are recorded in the applicable governmental fund type if the liability is expected to be liquidated in the first 60 days of the coming year. The remainder of the liability is recorded in the General Long-Term Obligation Account Group. Because of the low turnover of the workforce, emergency and family leave policies, the long-term sick leave liability is recorded at 50 percent of the total workforce's accumulation as of December 31 which is the maximum allowed by Library policy.

GASB 16 "Accounting for Compensated Absences," has been implemented to show maximum liability through the vesting method.

NOTE 16 - CONTINGENT LIABILITIES

The Library is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Library's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Library.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Cleveland Public Library
Cuyahoga County
325 Superior Avenue
Cleveland, Ohio 44114

We have audited the financial statements of the Cleveland Public Library, Cuyahoga County, Ohio (the Library) as of and for the year ended December 31, 1999, and have issued our report thereon dated July 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated July 26, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

July 26, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CLEVELAND PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2000**