



**CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

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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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2001, and the results of its operations and cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the general-purpose financial statements, the Library implemented Governmental Accounting Statement Nos. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

August 26, 2002

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Cleveland Public Library
 Combined Balance Sheet--All Fund Types and Account Groups
 For the fiscal year ended December 31, 2001
 With comparative totals for the prior year ended December 31, 2000

	Governmental Fund Types		Fiduciary Fund Types	Account Groups		Totals	
	General	Special Revenue		General Fixed Assets	General Long-term Obligations	(Memorandum Only) Current Year	Prior Year
Assets							
Assets:							
Cash and investments	\$ 12,272,686	\$ 142,084	\$ 12,407,133	-	-	\$ 31,761,682	\$ 30,447,702
Receivables	39,300,024	-	16,401	-	-	39,316,425	39,403,633
Due from other governments	925,422	-	-	-	-	925,422	975,688
Due from other funds	54,000	-	-	-	-	54,000	80,000
Inventory of supplies	373,540	-	-	-	-	373,540	465,326
Prepaid items and other assets	638,575	-	-	-	-	638,575	483,250
Fixed assets	-	-	-	\$ 164,011,828	-	164,011,828	162,683,045
Long-term assets	-	-	-	-	\$ 3,764,894	3,764,894	3,622,493
Inexhaustible collections	-	-	-	-	-	-	-
Total assets	<u>\$ 53,564,247</u>	<u>\$ 142,084</u>	<u>\$ 12,423,534</u>	<u>\$ 164,011,828</u>	<u>\$ 3,764,894</u>	<u>\$ 240,846,366</u>	<u>\$ 238,161,137</u>

	Governmental Fund Types			Fiduciary Fund Types	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	\$ 1,640,849	\$ 24,529	64,384	\$ 3,883	-	-	\$ 1,733,645	\$ 2,320,956	
Accrued liabilities	1,400,949	-	-	-	-	\$ 3,764,894	5,165,843	5,033,574	
Other liabilities	33,275	-	-	-	-	-	33,275	37,086	
Due to other funds	-	35,000	-	19,000	-	-	54,000	80,000	
Deferred revenue	35,089,053	-	-	-	-	-	35,089,053	34,739,253	
Total liabilities	38,164,126	59,529	64,384	22,883	-	3,764,894	42,075,816	42,210,869	
Equity:									
Investment in fixed assets	-	-	-	-	\$ 164,011,828	-	164,011,828	162,683,045	
Reserved for encumbrances	4,459,719	44,037	\$ 202,927	67,893	-	-	4,774,576	3,276,527	
Reserved for endowments	-	-	-	2,922,948	-	-	2,922,948	2,759,166	
Reserved for inventory	373,540	-	-	-	-	-	373,540	465,326	
Reserved for prepaid accts	638,575	-	-	-	-	-	638,575	483,250	
Unreserved fund balances	9,928,287	38,518	6,672,468	9,409,810	-	-	26,049,083	26,282,954	
Total equity	15,400,121	82,555	6,875,395	12,400,651	164,011,828	-	198,770,550	195,950,268	
Total liabilities and equity	\$ 53,564,247	\$ 142,084	\$ 6,939,779	\$ 12,423,534	\$ 164,011,828	\$ 3,764,894	\$ 240,846,366	\$ 238,161,137	

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, 2001
 With comparative totals for the prior year ended December 31, 2000

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	Current Year	Prior Year
Revenues:						
Taxes	\$ 17,258,557	-	-	-	\$ 17,258,557	\$ 17,972,760
Intergovernmental	31,915,330	\$ 215,472	-	-	32,130,802	37,855,174
Fines and fees	511,169	-	-	-	511,169	516,150
Investment earnings	935,735	-	-	\$ (187,430)	748,305	1,228,386
Charges for services	2,247,778	-	-	-	2,247,778	2,242,253
Donations	-	86,689	-	417,416	504,105	831,444
Miscellaneous	248,002	-	-	-	248,002	163,824
Total revenues	53,116,571	302,161	-	229,986	53,648,718	60,809,991
Expenditures:						
Administrative support	15,186,681	150	-	47,491	15,234,322	18,637,580
Public service	33,849,179	222,726	-	313,558	34,385,463	29,184,850
Capital outlay	771,952	86,678	\$ 1,284,490	74,221	2,217,341	2,820,700
Total expenditures	49,807,812	309,554	1,284,490	435,270	51,837,126	50,643,130
Excess (deficiency) of revenues over (under) expenditures	3,308,759	(7,393)	(1,284,490)	(205,284)	1,811,592	10,166,861
Other financing sources (uses):						
Transfers in	-	28,350	-	-	28,350	2,750,000
Transfers out	(28,350)	-	-	-	(28,350)	(2,750,000)
Total financing sources (uses)	(28,350)	28,350	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	3,280,409	20,957	(1,284,490)	(205,284)	1,811,592	10,166,861
Fund balances, January 1 (Restated)	12,056,171	61,598	8,159,885	4,498,941	24,776,595	14,049,938
Change in reserved fund balances	63,541	-	-	-	63,541	559,796
Fund balances, December 31	\$ 15,400,121	\$ 82,555	\$ 6,875,395	\$ 4,293,657	\$ 26,651,728	\$ 24,776,595

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 --
 Budget (Non-GAAP Budgetary Basis) and Actual -- General Fund
 For the fiscal year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 17,760,391	\$ 17,258,557	\$ (501,834)
Intergovernmental	32,342,492	32,101,004	(241,488)
Fines and fees	621,650	503,262	(118,388)
Investment earnings	950,000	1,153,254	203,254
Charges for services	1,800,000	2,321,945	521,945
Miscellaneous	300,000	249,049	(50,951)
Total revenues	<u>53,774,533</u>	<u>53,587,071</u>	<u>(187,462)</u>
Expenditures:			
Administrative support	19,750,799	19,369,086	381,713
Public service	33,081,967	31,307,417	1,774,550
Capital outlay	913,000	624,474	288,526
Total expenditures	<u>53,745,766</u>	<u>51,300,977</u>	<u>2,444,789</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,767</u>	<u>2,286,094</u>	<u>2,257,327</u>
Other Financing Sources (Uses):			
Transfers	(28,350)	(28,350)	-
Advances	26,000	26,000	-
Total financing sources (uses)	<u>(2,350)</u>	<u>(2,350)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	26,417	2,283,744	2,257,327
Fund balances, January 1	8,989,288	8,989,288	-
Prior years' encumbrances appropriated	<u>(5,289,319)</u>	<u>(5,289,319)</u>	<u>-</u>
Fund balances, December 31	<u>\$ 3,726,386</u>	<u>\$ 5,983,713</u>	<u>\$ 2,257,327</u>

Cleveland Public Library
 Combined 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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 268,372	\$ 230,772	\$ (37,600)
Donations	86,689	86,689	-
Total revenues	<u>355,061</u>	<u>317,461</u>	<u>(37,600)</u>
Expenditures:			
Administrative support	17,500	6,949	10,551
Public service	265,750	203,777	61,973
Capital outlay	38,430	34,837	3,593
Total expenditures	<u>321,680</u>	<u>245,563</u>	<u>76,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,381</u>	<u>71,898</u>	<u>38,517</u>
Other financing sources (uses):			
Transfers	28,350	28,350	-
Advances	(62,000)	(27,000)	35,000
Total financing sources (uses)	<u>(33,650)</u>	<u>1,350</u>	<u>35,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(269)	73,248	73,517
Fund balances, January 1	119,753	119,753	-
Prior years' encumbrances appropriated	<u>(119,483)</u>	<u>(119,483)</u>	<u>-</u>
Fund balances, December 31	<u>\$ 1</u>	<u>\$ 73,518</u>	<u>\$ 73,517</u>

Cleveland Public Library
 Combined 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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Total revenues	-	-	-
Expenditures:			
Administrative support	-	-	-
Public service	-	-	-
Capital outlay	\$ 8,058,593	\$ 1,386,125	\$ 6,672,468
Total expenditures	8,058,593	1,386,125	6,672,468
Excess (deficiency) of revenues over (under) expenditures	(8,058,593)	(1,386,125)	6,672,468
Other financing sources (uses):			
Transfers	-	-	-
Total financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,058,593)	(1,386,125)	6,672,468
Fund balances, January 1	8,159,885	8,159,885	-
Prior years' encumbrances appropriated	(101,292)	(101,292)	-
Fund balances, December 31	\$ -	\$ 6,672,468	\$ 6,672,468

Cleveland Public Library
 Combined 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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 17,760,391	\$ 17,258,557	\$ (501,834)
Intergovernmental	32,610,864	32,331,776	(279,088)
Fines and fees	621,650	503,262	(118,388)
Investment earnings	950,000	1,153,254	203,254
Charges for services	1,800,000	2,321,945	521,945
Donations	86,689	86,689	-
Miscellaneous	300,000	249,049	(50,951)
Total revenues	<u>54,129,594</u>	<u>53,904,532</u>	<u>(225,062)</u>
Expenditures:			
Administrative support	19,768,299	19,376,036	392,263
Public service	33,347,717	31,511,194	1,836,523
Capital outlay	9,010,023	2,045,435	6,964,588
Total expenditures	<u>62,126,039</u>	<u>52,932,665</u>	<u>9,193,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,996,445)</u>	<u>971,867</u>	<u>8,968,312</u>
Other financing sources (uses):			
Transfers	-	-	-
Advances	(36,000)	(1,000)	35,000
Total financing sources (uses)	<u>(36,000)</u>	<u>(1,000)</u>	<u>35,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,032,445)</u>	<u>970,867</u>	<u>9,003,312</u>
Fund balances, January 1	17,268,926	17,268,926	-
Prior years' encumbrances appropriated	<u>(5,510,094)</u>	<u>(5,510,094)</u>	<u>-</u>
Fund balances, December 31	<u>\$ 3,726,387</u>	<u>\$ 12,729,698</u>	<u>\$ 9,003,312</u>

The notes to the financial statements are an integral part of this statement.

Cleveland Public Library
Statement of Revenues, Expenses and Changes in Fund Balance
Nonexpendable Trust Fund
For the fiscal year ended December 31, 2001
With comparative totals for the prior fiscal year ended December 31, 2000

	Fiduciary Fund Type	Totals (Memorandum Only)	
	Nonexpendable Trust	Current Year	Prior Year
Operating revenues:			
Investment earnings	\$ (364,987)	\$ (364,987)	\$ 61,569
Donations	148,376	148,376	259,674
Miscellaneous	282	282	-
Total operating revenues	<u>(216,329)</u>	<u>(216,329)</u>	<u>321,243</u>
Operating expenses:			
Supplies	2,180	2,180	2,027
Purchased/contracted services	99,186	99,186	120,926
Library materials/information	63,504	63,504	73,759
Capital outlay	2,434	2,434	3,329
Total operating expenses	<u>167,304</u>	<u>167,304</u>	<u>200,041</u>
Operating income (loss)	<u>(383,633)</u>	<u>(383,633)</u>	<u>121,202</u>
Nonoperating revenues (expenses):			
Net income before extraordinary items	<u>(383,633)</u>	<u>(383,633)</u>	<u>121,202</u>
Extraordinary items	-	-	-
Net income (loss)	<u>(383,633)</u>	<u>(383,633)</u>	<u>121,202</u>
Fund balance, January 1	8,490,627	8,490,627	8,369,425
Fund balance, December 31	<u>\$ 8,106,994</u>	<u>\$ 8,106,994</u>	<u>\$ 8,490,627</u>

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, 2001
With comparative totals for the prior fiscal year ended December 31, 2000

	Fiduciary Fund Type	Totals (Memorandum Only)
	Nonexpendable Trust	Prior Year
Cash flows from operating activities:		
Operating income (loss)	\$ (383,633)	\$ 121,203
Increase (decrease) in accounts payable	(563)	472
Increase (decrease) in accrued liabilities	-	-
Net adjustments	(563)	472
Net cash provided (used) by operating activities	(384,196)	121,675
Net increase (decrease) in cash and investments	(384,196)	121,675
Cash and investments, January 1	8,491,757	8,370,082
Cash and investments, December 31	\$ 8,107,561	\$ 8,491,757

The notes to the financial statements are an integral part of this statement.

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CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the year ended December 31, 2001

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 the 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. Management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles (GAAP). Based upon the application of these criteria, management does not believe the Library has any potential component units which should be addressed in defining the Library's reporting entity.

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. The Library received \$29,369 in financial contributions from the Friends organization during the fiscal period January 1, 2001 through December 31, 2001. Total cash assets (unaudited) of the Friends of Cleveland Public Library at December 31, 2001 amounted to \$512,625. The Friends Treasurer's Report (unaudited) can be obtained through the office of the 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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

All Governmental and Expendable Trust funds are accounted for using the modified accrual basis of accounting.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, 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.

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include property taxes, Library and Local Government Support Fund payments (LLGSF), grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all of the eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when the use is permitted, matching requirements, in which the Library must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Library on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

In applying the susceptible to accrual concept, revenues accrued at the end of the year include interest on investments. Revenue reported for Investment earnings is the net result of combining interest, dividends, and realized gains and losses with unrealized gains and losses. Other miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Property taxes, LLGSF, Homestead and Rollbacks which are measurable as of December 31, 2001, but not intended to finance 2001 activities, have all 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.

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.

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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2001.

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 bases for establishing these funds. Capital Projects Funds are budgeted on a project basis. Unreserved Special Revenue or Capital Project fund balances are re-appropriated at the beginning of each year and listed on the appropriation measure. The Expendable and Non-Expendable Trusts are budgeted/appropriated only 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 repurchase agreements, treasury notes, federal agency securities, and STAROhio 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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and Non-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 electronic information services, maintenance 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. The Library has no infrastructure. 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 Library’s 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.

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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 US-HUD-EDI Special Revenue Fund had a deficit fund balance of \$9,185 and the Schweinfurth Expendable Trust had a deficit fund balance of \$22 at December 31, 2001. These deficits resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds 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.

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:

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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types
December 31, 2001

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$3,280,409	\$ 20,957	\$ (1,284,490)
Revenues:			
Accrued in 2000, received in cash in 2001	5,573,618	15,300	-0-
Accrued in 2001, but not yet to be received in cash	(5,103,118)	-0-	-0-
Expenditures/expenses:			
Accrued in 2000, paid in cash in 2001	(3,455,310)	(73,456)	-0-
Accrued in 2001, but not yet paid in cash	2,799,394	59,529	64,384
Encumbrance reserved as of January 1, 2001	5,289,319	119,483	101,292
Encumbrance reserved as of December 31, 2001	<u>(6,100,568)</u>	<u>(68,565)</u>	<u>(267,311)</u>
Budgetary Basis	<u>\$2,283,744</u>	<u>\$ 73,248</u>	<u>\$ (1,386,125)</u>

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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 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.

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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. DEPOSITS: At year-end, the carrying amount of the Library's cash deposits was \$490,342 and the bank balance was \$896,267. Of this balance, \$220,000 was insured by the Federal Depository Insurance Corporation (credit risk category 1). The remaining balance of \$676,267 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 invested in STAROhio during the fiscal year 2001, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

The Library had the following investments outstanding at December 31, 2001:

	<u>Category 3</u>	<u>Carry/Market Value</u>
Victory Federal Money Market	\$ 2,231,812	\$ 2,231,812
Investment Accounts:		
Fed. Farm Credit Bank	\$ 998,370	998,370
Fed. Home Loan Bank	3,000,000	3,000,000
Fed. Home Loan Mort. Corp.	5,894,293	5,894,293
Fed. Nat'l. Mort. Assn.	<u>3,902,419</u>	<u>3,902,419</u>
Subtotal	\$ 13,795,082	\$ 13,795,082
Endowment Fund Portfolio:		
Common and Convertible Preferred Stock	\$ 6,541,888	\$ 6,541,888
Corporate Bonds	2,130,904	2,130,904
U.S. Treasury Notes	1,239,109	1,239,109
Fed. Nat'l. Mortgage Assn.	765,980	765,980
Fed. Home Loan Mtg. Corp.	196,062	196,062
Money Market/Principal Cash	<u>1,358,302</u>	<u>1,358,302</u>
Subtotal	\$ 12,232,245	\$ 12,232,245
Total	<u>\$ 28,259,139</u>	<u>\$ 28,259,139</u>
State Treasurers Asset Reserve Fund (STAROhio)		<u>3,012,201</u>
Total Investments		<u>\$ 31,271,340</u>

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

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 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% 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 in 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, 2001 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 2,432,004,460
Commercial Industrial	2,678,022,730
Tangible Personal Property	<u>989,441,801</u>
Total	<u>\$ 6,099,468,991</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 2001 the Library received 41.1975% of the countywide total or \$29,166,492.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 9 – RECEIVABLES

Receivables as of December 31, 2001 consist of the following:

	<u>General Fund</u>	<u>Trusts</u>	<u>Totals</u>
Property Taxes and LLGSF Accounts	\$ 38,993,099	\$ -0-	\$ 38,993,099
Receivable	133,057	-0-	133,057
Interest Receivable	173,868	-0-	173,868
Grants Receivable	<u>-0-</u>	<u>16,401</u>	<u>16,401</u>
TOTAL	<u>\$ 39,300,024</u>	<u>\$ 16,401</u>	<u>\$ 39,316,425</u>

NOTE 10 - DUE TO/FROM OTHER FUNDS

Interfund advances not repaid as of December 31, 2001 consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 54,000	\$ -0-
Special Revenue Funds US-HUD-EDI	-0-	35,000
Trusts Schweinfurth	<u>-0-</u>	<u>19,000</u>
TOTAL	<u>\$ 54,000</u>	<u>\$ 54,000</u>

NOTE 11 – CHANGES IN GENERAL FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2001 are as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Land	\$ 2,680,202	\$ -0-	\$ -0-	\$ 2,680,202
Buildings	147,222,475	249,918	-0-	147,472,393
Furniture/Equipment	6,943,594	537,484	162,000	7,319,078
Computers	5,443,991	1,040,605	575,671	5,908,925
Vehicles	392,783	252,659	44,362	601,080
In Progress	<u>-0-</u>	<u>30,150</u>	<u>-0-</u>	<u>30,150</u>
TOTALS	<u>\$ 162,683,045</u>	<u>\$ 2,110,816</u>	<u>782,033</u>	<u>\$ 164,011,828</u>

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 12 - LONG-TERM OBLIGATIONS

General Long Term Obligations are comprised of compensated absences only, in the amount of \$3,764,894 as of December 31, 2001. 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.

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 State Workers' Compensation System administers and pays all claims.

The Library provides medical and dental insurance to employees on a paid premium basis. Other employee benefits include life insurance, short-term disability insurance and an IRC Section 125 flexible benefit plan.

NOTE 14 - PENSION PLAN OBLIGATIONS

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 rate is 8.5 percent for employees. The 2001 local government employer rate was 13.55 percent of covered payroll.

The Library's contribution requirement to PERS for the years ended December 31, 2001, 2000, and 1999, were \$3,246,847, \$2,373,289, and \$2,909,743 respectively; 71.61 percent has been contributed for 2001 and 100 percent for the fiscal years 2000 and 1999. \$921,939 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the General Fund.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

NOTE 14 - PENSION PLAN OBLIGATIONS (CONTINUED)

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 local government employer contribution rate was 13.55% of covered payroll for the year 2001; 4.30% was the portion used to fund health care for the year.

The retirement system's assumptions and calculations were based on its latest Actuarial Review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of the Other Post Employment Benefit (OPEB). The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75 % compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

OPEBs are advance-funded using the entry age normal cost method. The number of active contributing participants was 411,076. The Library's contributing requirement for OPEBs for the year ended December 31, 2001 was \$1,030,225. \$11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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, 2001, the liabilities for accumulated governmental funds' sick pay and vacation were \$2,969,871 and \$795,023, 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.

CLEVELAND PUBLIC LIBRARY
Notes To The General Purpose Financial Statements
For the Year Ended December 31, 2001
(Continued)

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.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR
 FUND EQUITY

Effective January 1, 2001, the Library implemented GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions, and Statement No. 36, Recipient Reporting for Certain Shared Non-exchange Revenues (an amendment of GASB Statement No. 33). In general, GASB Statement Nos. 33 and 36 established accounting and financial reporting standards, which address when to report the results of non-exchange transactions involving financial capital resources. In a non-exchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. These statements require retroactive application and accordingly, the Library's fund balances as of December 31, 2000 have been restated as follows:

	<u>General Fund</u>
Fund balance, as previously reported	\$ 7,049,271
Increases in assets resulting from Implementation:	
Receivables	\$ 14,068,556
Due from other governments	952,146
Increases in liabilities resulting from Implementation:	
Deferred revenue	<u>\$ (10,013,802)</u>
Fund balance, as restated	<u>\$ 12,056,171</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

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**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, 2001, and have issued our report thereon dated August 26, 2002 in which we noted the Library implemented GASB Statement Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated August 26, 2002.

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 August 26, 2002.

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, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 26, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
OCTOBER 1, 2002**