



Mary Taylor, CPA
Auditor of State

CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Cleveland Public Library, Cuyahoga County, Ohio (the Library), as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Cleveland Public Library, Cuyahoga County, Ohio, as of December 31, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

July 12, 2010

Cleveland Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2009

The Discussion and Analysis of the Cleveland Public Library's (the "Library") financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2009 are:

Total assets decreased by \$574,996 or 0.27 percent decrease from 2008. This slight decrease was mainly due to construction in progress for the new Rice Branch and Woodland Branch improvements offset by the annual depreciation as well as a decline in intergovernmental receivables as the economy worsened.

Total liabilities decreased by \$6,852,328 or 14.54 percent decrease over 2008. This decrease was primarily due to decreased deferred revenue as the worsening economy caused revenues to decline.

Total net assets increased from 2008. This increase was mainly in unrestricted net assets of governmental activities.

Construction of the new Rice Branch and improvements to the Woodland Branch resulted in increased capital assets.

Total outstanding long-term liabilities decreased over 2008. The decrease was due to more employees retiring in 2009 than in 2008.

Using These Basic Financial Statements

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

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

Reporting the Library as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the Library to provide services to our citizens, the view of the Library as a whole looks at all financial transactions and asks the question, "How did the Library do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of

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Management's Discussion and Analysis
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accounting similar to the accounting method used by the private sector. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

Reporting the Cleveland Public Library's Most Significant Fund

Fund Financial Statements

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

Government Funds

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

The Library as a Whole

The Statement of Net Assets looks at the Library as a whole. Table 1 provides a summary of the Library's net assets for 2009 compared to 2008.

Cleveland Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2009

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$113,630,129	\$115,484,926	(\$1,854,797)
Capital Assets, Net	102,606,127	101,326,326	1,279,801
<i>Total Assets</i>	<u>216,236,256</u>	<u>216,811,252</u>	<u>(574,996)</u>
Liabilities			
Current and Other Liabilities	35,481,476	41,571,372	(6,089,896)
Long-Term Liabilities:			
Due Within One Year	318,882	357,026	(38,144)
Due In More Than One Year	4,481,079	5,205,367	(724,288)
<i>Total Liabilities</i>	<u>40,281,437</u>	<u>47,133,765</u>	<u>(6,852,328)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	102,606,127	101,326,326	1,279,801
Restricted for:			
Endowments - Expendable	2,043,565	1,678,352	365,213
Endowments - Nonexpendable	717,036	717,036	0
Capital Projects	7,353,998	9,365,464	(2,011,466)
Other Purposes	10,950,570	9,225,159	1,725,411
Unrestricted	52,283,523	47,365,150	4,918,373
<i>Total Net Assets</i>	<u>\$175,954,819</u>	<u>\$169,677,487</u>	<u>\$6,277,332</u>

The decrease in current and other assets is due primarily to the decrease in intergovernmental receivables at the end of 2009 due to declining revenues because of the worsening economy. There was also a decreased property tax receivable due to declining property tax collections. The capital assets increase is due primarily to the construction of the new Rice Branch and improvements at the Woodland Branch, with construction costs exceeding annual depreciation of assets. The current and other liabilities decrease is primarily due to deferred revenue being lower at December 31, 2009 than at December 31, 2008 as the economy worsened during 2009 reducing revenues.

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Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2009

Table 2 shows the changes in net assets for the years ended December 31, 2009 and December 31, 2008.

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Revenues			
Program Revenues:			
Charges for Services	\$3,262,870	\$3,330,119	(\$67,249)
Operating Grants, Contributions and Interest	3,563,628	1,408,580	2,155,048
<i>Total Program Revenues</i>	6,826,498	4,738,699	2,087,799
General Revenues:			
Property Taxes	36,627,248	28,815,253	7,811,995
Grants and Entitlements	28,867,436	32,115,428	(3,247,992)
Investment Earnings	514,757	(1,530,793)	2,045,550
Miscellaneous	546,529	488,759	57,770
<i>Total General Revenues</i>	66,555,970	59,888,647	6,667,323
<i>Total Revenues</i>	73,382,468	64,627,346	8,755,122
Program Expenses			
Administration and Support	23,249,386	26,466,270	3,216,884
Public Services	43,855,750	48,647,667	4,791,917
<i>Total Expenses</i>	67,105,136	75,113,937	8,008,801
<i>Increase (Decrease) in Net Assets</i>	6,277,332	(10,486,591)	16,763,923
<i>Net Assets, Beginning of Year</i>	169,677,487	180,164,078	(10,486,591)
<i>Net Assets, End of Year</i>	\$175,954,819	\$169,677,487	\$6,277,332

Cleveland Public Library
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Management's Discussion and Analysis
For the Year Ended December 31, 2009

GOVERNMENTAL ACTIVITIES

For the most part, administration and support expenses are underwritten by the general revenues of the Library, rather than program revenues except for the usage and processing fees received by Cleveland Public Library for automated library services provided to the 30 contracting CLEVNET libraries spread over nine counties in northern Ohio. Like the administration and support expenses, the public services expenses are also mainly supported by the general revenues of the Library. However, the Library has been successful in being awarded a number of grants to help support the free and equitable access to programming and services.

General revenues from property taxes increased by \$7,811,995 during 2009. 2009 was the first year of five collection years of the 5.8 mil replacement levy approved by voters on March 4, 2008. General revenues from grants and entitlements decreased by \$3,247,992 during 2009 due primarily to a decrease in the Public Library Fund revenues.

Table 3 presents a summary for governmental activities, the total cost of services and the net cost of providing those services for the years ending December 31, 2009 and December 31, 2008. The total cost of services associated with public services in 2009 is 65.35 percent of total costs, slightly above 2008's 64.77 percent.

Table 3
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Administration and Support	\$23,249,386	(\$19,917,377)	\$26,466,270	(\$23,456,038)
Public Services	43,855,750	(40,361,261)	48,647,667	(46,919,200)
<i>Total</i>	<u>\$67,105,136</u>	<u>(\$60,278,638)</u>	<u>\$75,113,937</u>	<u>(\$70,375,238)</u>

The Library's Funds

Information about the Library's governmental funds begins on page 13. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$69,426,082 and expenditures of \$69,147,369. The most significant fund is the general fund, which had an unreserved fund balance at year-end of \$28,683,690 compared to annual expenditures of \$62,853,440. The net change in the general fund balance for 2009 of a \$25,454 decrease was the result of a fiscally responsive reduction of expenditures to a level near that of declining revenue. The most significant decrease in General fund revenues came from intergovernmental revenues which decreased in 2009 by \$2,546,750. Investment earnings decreased by \$1,609,038 during 2009, as a result of the worsening economy. Property tax collections increased from 2008 to 2009 by \$3,461,443 due to the first full year collection of the new five year 5.8 mil replacement levy commencing in 2009.

Cleveland Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2009

General Fund Budgeting Highlights

The Library's budget is prepared according to provisions of the Ohio Administrative Code based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. During the course of 2009, the Library amended its general fund budget several times. The original budgeted revenues were \$69,474,928 and the final budgeted amount was \$63,280,311. This \$6,194,617 decrease was primarily due to decreased Public Library Fund revenue re-certification. The original appropriations were fiscally responsively adjusted from \$76,315,143 originally to \$70,790,185 in the final amendment, with cuts distributed across all spending categories. The Library still maintained a respectable level of liquidity in the general fund by maintaining unencumbered cash at the end of the year of 36.75 percent of those revenues.

Capital Assets

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$2,715,322	\$2,701,082
Construction in Progress	5,117,202	854,444
Buildings/Improvements	93,048,515	96,416,807
Furniture/Equipment	631,260	437,978
Computers	953,426	744,480
Vehicles	140,402	171,535
<i>Total</i>	<u>\$102,606,127</u>	<u>\$101,326,326</u>

Total capital assets for the Library as of December 31, 2009 were \$102,606,127, an increase of \$1,279,801 from 2008. The most significant increase in capital assets of \$4,262,758 came in the construction in progress category as the construction of the new Rice Branch and improvements at the Woodland Branch got fully under way during 2009. This increase was somewhat offset by a decrease in the area of buildings and improvements of \$3,368,292 primarily due to annual depreciation of existing buildings. See Note 10 for additional information on capital assets.

Current Financial Related Activities

The Cleveland Public Library, “The People’s University,” celebrated its 140th year in 2009 and we are very proud of the accomplishments that have taken place over those years. The Library’s Main Library is situated on Lake Erie in the heart of Cleveland, Ohio. The Library’s 28 branches and the 2 Mobile Libraries reflect one of the Library’s priorities: global information in strategically convenient neighborhood locations.

The Cleveland Public Library remains financially stable. However, since 2001, the Library has had to deal with uncertainty in the Public Library Fund revenues when the “freeze” and lower percentage share was initiated by the State Legislature. The freeze lifted during the latter half of 2008 but brought in less revenue than during the freeze due to the declining economic conditions. The continued 2009 worsening economy’s lower revenues were countered with a continued hiring freeze and other budget cuts, including wage freezes, closing on Sundays, reductions in capital expenditures with the exception of the new Rice

Cleveland Public Library
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Management's Discussion and Analysis
For the Year Ended December 31, 2009

Branch and improvements at Woodland Branch, reduced library service materials, and reduced professional education funding. To offset this detrimental effect on public service, to restore and enhance neighborhood services and other public-defined initiatives, the Library's voting district approved a 5-year replacement of the 5.8 mil property tax levy on the March, 2008 ballot, which began collection in January, 2009 and ends December, 2013. The Library's finances are planned so that many of the facilities' improvements and capital acquisitions are paid with cash and the Library continues to pay cash for most equipment and other major purchases necessary to maintain a high level of services. We live within our means and plan ahead knowing that responsible leadership commands that we observe the budget and expend less than the fund balance carryover plus revenues we receive. Even though the size of our work force has continued to reduce through attrition and retirements, we believe it is at a level to continue to meet the needs of our patrons.

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

Saturday hours year-round in neighborhood branches,

More services for our children and young adults,

New and improved services for our senior citizens.

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

Services for the Hispanic community and new Americans.

Some of the Library's many accomplishments during 2009 included the increase in the Library for the Blind and Physically Disabled service area from the northern 55 counties to all of the counties in the entire State of Ohio as of June 1, 2009 with full funding through the State Library of Ohio. The creation of the Library's presence on Facebook, YouTube, Flickr and Twitter allowed the Library to get its service message out through the most technologically-advanced and popular social networking platforms. The introduction of floating collections for audio visual items allowed for transit between branches and the Main Library to decrease by one-third while allowing new visual offerings at all Library locations. The Library was able to increase circulation despite multi-million dollar reductions to library materials, purchased services and staffing budgets. A centralized power management system for Library personal computers was acquired and is being installed to reduce the use of electricity. Through effective grant-writing, the Library was awarded a two year Bill and Melinda Gates Foundation Opportunity Online hardware grant which will allow for an additional 46 computers in year one and another 42 computers in year two to be distributed to Library Branches. The Library saved additional taxpayer dollars by moving from outsourced payroll processing to in-house payroll processing with paperless pay and human resource functionality integration into the existing Tyler MUNIS Financial Enterprise Resource Planning (ERP) System software.

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

Cleveland Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year Ended December 31, 2009

Contacting the Library's Finance Department

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

Cleveland Public Library
Cuyahoga County
Statement of Net Assets
December 31, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$51,865,432
Accrued Interest Receivable	150,749
Accounts Receivable	208,335
Intergovernmental Receivable	16,169,202
Materials and Supplies Inventory	267,494
Prepaid Items	1,354,684
Property Taxes Receivable	43,614,233
Nondepreciable Capital Assets	7,832,524
Depreciable Capital Assets, Net	94,773,603
<i>Total Assets</i>	216,236,256
Liabilities	
Accounts Payable	994,609
Accrued Wages and Benefits	1,081,068
Matured Compensated Absences Payable	62,559
Intergovernmental Payable	656,176
Deferred Revenue	32,687,064
Long-Term Liabilities:	
Due Within One Year	318,882
Due In More Than One Year	4,481,079
<i>Total Liabilities</i>	40,281,437
Net Assets	
Invested in Capital Assets	102,606,127
Restricted for:	
Endowments--Expendable	2,043,565
Endowments--Non-Expendable	717,036
Capital Projects	7,353,998
Founders for Programming	4,371,638
Young for the Blind	2,767,784
Endowment for the Blind	1,486,544
Wickwire for the Blind	1,105,077
Other Purposes	1,219,527
Unrestricted	52,283,523
<i>Total Net Assets</i>	\$175,954,819

See accompanying notes to the basic financial statements

Cleveland Public Library
Cuyahoga County
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues			Net (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Administration and Support	\$23,249,386	\$2,930,834	\$401,175	(\$19,917,377)
Public Services	43,855,750	332,036	3,162,453	(40,361,261)
<i>Totals</i>	\$67,105,136	\$3,262,870	\$3,563,628	(60,278,638)
		General Revenues		
				Property Taxes Levied for General Purposes 36,627,248
				Grants and Entitlements not Restricted to Specific Programs 28,867,436
				Investment Earnings 514,757
				Miscellaneous 546,529
				<i>Total General Revenues</i> 66,555,970
				<i>Change in Net Assets</i> 6,277,332
				<i>Net Assets, Beginning of Year</i> 169,677,487
				<i>Net Assets, End of Year</i> \$175,954,819

See accompanying notes to the basic financial statements

Cleveland Public Library
Cuyahoga County
Balance Sheet
Governmental Funds
December 31, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$30,287,520	\$21,577,912	\$51,865,432
Accrued Interest Receivable	150,749	0	150,749
Accounts Receivable	188,995	19,340	208,335
Intergovernmental Receivable	16,169,202	0	16,169,202
Interfund Receivable	110,900	0	110,900
Materials and Supplies Inventory	267,494	0	267,494
Prepaid Items	1,354,684	0	1,354,684
Property Taxes Receivable	43,614,233	0	43,614,233
<i>Total Assets</i>	<u>\$92,143,777</u>	<u>\$21,597,252</u>	<u>\$113,741,029</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$789,318	\$205,291	\$994,609
Accrued Wages and Benefits	1,081,068	0	1,081,068
Matured Compensated Absences Payable	62,559	0	62,559
Interfund Payable	0	110,900	110,900
Intergovernmental Payable	440,284	215,892	656,176
Deferred Revenue	56,495,707	0	56,495,707
<i>Total Liabilities</i>	<u>58,868,936</u>	<u>532,083</u>	<u>59,401,019</u>
Fund Balances			
Reserved for Encumbrances	4,591,151	1,865,923	6,457,074
Reserved for Endowments-nonexpendable	0	717,036	717,036
Unreserved, Undesignated, Reported in:			
General Fund	28,683,690	0	28,683,690
Special Revenue Funds	0	10,558,268	10,558,268
Capital Projects Fund	0	5,890,210	5,890,210
Permanent Funds	0	2,033,732	2,033,732
<i>Total Fund Balances</i>	<u>33,274,841</u>	<u>21,065,169</u>	<u>54,340,010</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$92,143,777</u>	<u>\$21,597,252</u>	<u>\$113,741,029</u>

See accompanying notes to the basic financial statements

Cleveland Public Library
Cuyahoga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2009

Total Governmental Fund Balances	\$54,340,010
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	102,606,127
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Delinquent Property Taxes	15,554,518
Intergovernmental	<u>8,254,125</u>
Total	23,808,643
Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,799,961)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$175,954,819</u></u>

See accompanying notes to the basic financial statements

Cleveland Public Library
Cuyahoga County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$31,392,194	\$0	\$31,392,194
Charges for Services	2,930,834	0	2,930,834
Fines and Fees	332,036	0	332,036
Intergovernmental	30,146,105	930,977	31,077,082
Donations	0	556,592	556,592
Investment Earnings	514,757	2,076,058	2,590,815
Miscellaneous	541,960	4,569	546,529
<i>Total Revenues</i>	<u>65,857,886</u>	<u>3,568,196</u>	<u>69,426,082</u>
Expenditures			
Current:			
Administration and Support	22,705,650	60,544	22,766,194
Public Services	39,444,255	1,424,942	40,869,197
Capital Outlay	703,535	4,808,443	5,511,978
<i>Total Expenditures</i>	<u>62,853,440</u>	<u>6,293,929</u>	<u>69,147,369</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,004,446</u>	<u>(2,725,733)</u>	<u>278,713</u>
Other Financing Sources (Uses)			
Transfers In	0	3,029,900	3,029,900
Transfers Out	(3,029,900)	0	(3,029,900)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,029,900)</u>	<u>3,029,900</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(25,454)	304,167	278,713
<i>Fund Balances, Beginning of Year</i>	<u>33,300,295</u>	<u>20,761,002</u>	<u>54,061,297</u>
<i>Fund Balances, End of Year</i>	<u>\$33,274,841</u>	<u>\$21,065,169</u>	<u>\$54,340,010</u>

See accompanying notes to the basic financial statements

Cleveland Public Library

Cuyahoga County

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2009*

Net Change in Fund Balances - Total Governmental Funds **\$278,713**

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	5,541,970
Current Year Depreciation	<u>(4,262,169)</u>

Total 1,279,801

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	5,235,054
Intergovernmental	(804,706)
Interest	<u>(473,962)</u>

Total 3,956,386

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

762,432

Change in Net Assets of Governmental Activities

\$6,277,332

See accompanying notes to the basic financial statements

Cleveland Public Library
Cuyahoga County
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$29,400,248	\$29,400,248	\$31,392,194	\$1,991,946
Charges for Services	2,800,000	2,800,000	2,858,702	58,702
Fines and Fees	323,500	323,500	327,040	3,540
Intergovernmental	34,941,180	29,456,457	31,014,678	1,558,221
Investment Earnings	1,600,000	885,806	993,230	107,424
Miscellaneous	410,000	414,300	538,072	123,772
<i>Total Revenues</i>	<u>69,474,928</u>	<u>63,280,311</u>	<u>67,123,916</u>	<u>3,843,605</u>
Expenditures				
Current:				
Administration and Support	29,701,090	26,343,779	25,059,749	1,284,030
Public Services	45,362,337	43,469,656	42,657,563	812,093
Capital Outlay	1,251,716	976,750	769,873	206,877
<i>Total Expenditures</i>	<u>76,315,143</u>	<u>70,790,185</u>	<u>68,487,185</u>	<u>2,303,000</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(6,840,215)</u>	<u>(7,509,874)</u>	<u>(1,363,269)</u>	<u>6,146,605</u>
Other Financing Sources (Uses)				
Advances In	0	0	95,000	95,000
Advances Out	0	0	(110,000)	(110,000)
Transfers Out	(3,000,000)	(3,029,900)	(3,029,900)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000,000)</u>	<u>(3,029,900)</u>	<u>(3,044,900)</u>	<u>(15,000)</u>
<i>Net Change in Fund Balance</i>	(9,840,215)	(10,539,774)	(4,408,169)	6,131,605
<i>Fund Balance, Beginning of Year</i>	24,895,210	24,895,210	24,895,210	0
Prior Year Encumbrances Appropriated	4,178,900	4,178,900	4,178,900	0
<i>Fund Balance, End of Year</i>	<u>\$19,233,895</u>	<u>\$18,534,336</u>	<u>\$24,665,941</u>	<u>\$6,131,605</u>

See accompanying notes to the basic financial statements

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Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

Note 1 – Description of Library and Reporting Entity

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

The Library is fiscally independent of the Cleveland Board of Education, although the Cleveland Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Cleveland Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Cleveland Board of Education.

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. The Library, however, has no business-type activities.

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

The statement of net assets presents the financial condition of the governmental activities of the Library at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues also include interest earned on grants and endowments that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Library, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Library.

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

B. Fund Accounting

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

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

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

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

E. Cash and Cash Equivalents

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

During 2009, investments were limited to Federal Home Loan Bank Bonds, STAR Ohio, Money Market/Principal Cash, Common and Convertible Preferred Stock, Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds, Corporate Bonds, United States Treasury Notes, Federal National Mortgage Association Guaranteed Mortgage Passthru Certificate Pool, Federal Farm Credit Bank Bonds, Federal National Mortgage Association Notes, Citigroup Incorporated Note, and a Bank of America Corporation Note.

STAR Ohio is an investment pool managed by the State Treasurer’s Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price that is the price the investment could be sold for on December 31, 2009.

Interest and dividends earned on all funds when the use of such earnings are not restricted by law are recorded in the General Fund except investment earnings attributable to endowment fund balances which are recorded in the endowment funds, a subset of funds classified as either Special Revenue Funds or Permanent Funds. Investment gains credited to Investment Earnings on behalf of the endowment funds during 2009 amounted to \$2,076,058.

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

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Capital Assets

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

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

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

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

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

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

I. Inexhaustible Collections and Books

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

J. Interfund Balances

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

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Library's past experience of making termination payments. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

limits specified in the Library's termination policy. The Library's termination policy currently allows for payment of one-half of unused sick hours at time of retirement as governed by the provisions of the Ohio Public Employees Retirement System. The Library's termination policy further allows for additional amounts of unused sick hours to be paid for years of service exceeding 25 years.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of the fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and non-expendable endowments. The reserve for non-expendable endowments represents a legal restriction on the use of monies as specified in the will or trust.

N. Net Assets

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

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

O. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

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

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Data

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

The certificate of estimated resources establishes a limit on the amount the Board of Library Trustees may appropriate. The appropriations resolution is the Board of Library Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Library Trustees. The legal level of control has been established at the character or major category of the object code for the general fund. For all other funds, the legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

Note 3 – Changes in Accounting Principles

For 2009, the Library has implemented Governmental Accounting Standard Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investments contracts that are fully benefit responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Library’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the Library’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the Library’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in the agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the Library’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Library’s financial statements.

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon

Cleveland Public Library
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Notes to the Basic Financial Statements
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accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash represents amounts expended but not included as expenditures on the budgetary basis operating statement. These amounts are included as expenditures on the GAAP basis operating statements.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$25,454)
Net Adjustment for Revenue Accruals	1,747,294
Ending Unrecorded Cash	(55,161)
Advance In	95,000
Advance Out	(110,000)
Ending Fair Value Adjustment for Investments	(426,103)
Net Adjustment for Expenditure Accruals	(493,430)
Current Year Encumbrances	(5,140,315)
Budgetary Basis	(\$4,408,169)

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Notes to the Basic Financial Statements
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Note 5 – Deposits and Investments

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

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

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

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

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

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

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

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For Year Ended December 31, 2009

7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

1. Bonds or other obligations of the United States or the State of Ohio;
2. Bonds or other interest-bearing obligations of any county, municipal corporation, school district, or other legally constituted political taxing subdivision within the State provided that the subdivision has not defaulted in the payment of the interest on any of its bonds or interest-bearing obligations for more than 120 days during the ten years immediately preceding the investment and provided that the subdivision is not, at the time of investment, in default in the payment of principal or interest on any of its bonds or other interest-bearing obligations;
3. Bonds or other interest-bearing obligations of any other state of the United States, which within 20 years prior to the making of such investment, has not defaulted for more than 90 days in the payment of principal or interest on any of its bonds or other interest-bearing obligations;
4. Any bonds issued by or for federal land banks and any debentures issued by or for federal intermediate credit banks under the "Federal Farm Loan Act of 1916 or any debentures issued by or for banks for cooperatives under the "Farm Credit Act of 1933";
5. Notes which are: (a) secured by a first mortgage on real estate held in fee and located in the State, improved by a unit designed principally for residential use for not more than four families or by a combination of such dwelling units and business property, the area designed or used for nonresidential purposes not to exceed 50 percent of the total floor area; (b) secured by a first mortgage on real estate held in fee and located in the State, improved with a building designed for residential use for more than four families or with a building used primarily for business purposes, if the unpaid principal of the notes secured by such mortgage does not exceed ten percent of the value of the estate or trust or does not exceed \$5,000, whichever is greater; or (c) secured by a first mortgage on an improved farm held in

Cleveland Public Library
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For Year Ended December 31, 2009

fee and located in the State, provided that such mortgage requires that the buildings on the mortgaged property shall be well insured against loss by fire, and so kept, for the benefit of the mortgagee, until the debt is paid, and provided that the unpaid principal of the notes secured by the mortgage shall not exceed 50 percent of the fair value of the mortgaged real estate at the time the investment is made; except that the unpaid principal of the notes may equal 60 percent of the fair value of the mortgaged real estate at the time the investment is made, and may be payable over a period of 15 years following the date of the investment by the fiduciary if regular installment payments are required sufficient to amortize four percent or more of the principal of the outstanding notes per annum and if the unpaid principal and interest become due and payable at the option of the holder upon any default in the payment of any installment of interest or principal upon the notes, or of taxes, assessments, or insurance premiums upon the mortgaged premises or upon the failure to cure any such default within any grace period provided therein not exceeding 90 days in duration;

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

Cleveland Public Library
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14. In savings accounts in, or certificates or other evidences of deposits issued by, a national bank located in the State or a state bank located in and organized under the laws of the State by depositing the funds in the bank, and such national or state bank when itself acting in a fiduciary capacity may deposit the funds in savings accounts in, or certificates or other evidences of deposits issued by, its own savings department or any bank subsidiary corporation owned or controlled by the bank holding company that owns or controls such national or state bank; provided that no deposit shall be made by any fiduciary, individual, or corporate, unless the deposits of the depository bank are insured by the federal deposit insurance corporation (FDIC) and provided that the deposit of the funds of any one trust in any such savings accounts in, or certificates or other evidences of deposits issued by, any one bank shall not exceed the sum insured under the "Federal Deposit Insurance Corporation Act of 1933";
15. Obligations consisting of notes, bonds, debentures, or equipment trust certificates issued under an indenture, which are the direct obligations, or in the case of equipment trust certificates are secured by direct obligations, of a railroad or industrial corporation, or a corporation engaged directly and primarily in the production, transportation, distribution or sale of electricity or gas, or the operation of telephone or telegraph systems or waterworks, or in some combination of them; provided that the obligor corporation is one which is incorporated under the laws of the United States, any state, or the District of Columbia, and the obligations are rated at the time of purchase in the highest or next highest classification established by at least two standard rating services selected from a list of the standard rating services which shall be prescribed by the superintendent of financial institutions; provided that every such list shall be certified by the superintendent to the clerk of each probate court in the State, and shall continue in effect until a different list is prescribed and certified;
16. Obligations issued, assumed, or guaranteed by the international finance corporation or by the international bank for reconstruction and development, the Asian development bank, the inter-American development bank, the African development bank, or other similar development bank in which the president, as authorized by congress and on behalf of the United States, has accepted membership, provided that the obligations are rated at the time of purchase in the highest or next highest classification established by at least one standard rating service selected from a list of standard rating services which shall be prescribed by the superintendent of financial institutions;
17. Securities of any investment company, as defined in and registered under sections 3 and 8 of the "Investment Company Act of 1940" that are invested exclusively in forms of investment or in instruments that are fully collateralized by forms of investment in which the fiduciary is permitted to invest pursuant to 1 through 16 above, provided that, in addition to such forms of investments, the investment company may, for the purpose of reducing risk of loss or of stabilizing investment returns, engage in hedging transactions.

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

1. Securities of corporations organized and existing under the laws of the United States, the District of Columbia, of any state in the United States including, but not limited to bonds, debentures, notes, equipment trust obligations, or other evidences of indebtedness, and shares of common and preferred stocks of such corporations;

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

2. Collective investment funds or securities of any investment company whether or not the fiduciary has invested other funds held by it in an agency or other nonfiduciary capacity in the securities of the same investment company. Such investments may be made regardless of the eligibility of the underlying assets held by the fund portfolios of the investment company;
3. Bonds or other interest-bearing obligations of any state or territory of the United States, or of any county, city, village, school district, or other legally constituted political taxing subdivision of any state or territory of the United States, not otherwise eligible under 2 or 3 in the preceding investment list;
4. Debt or equity securities of foreign corporations that trade on recognized United States domiciled exchanges.

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

A. Investments

Investments are reported at fair value. As of December 31, 2009, the Library had the following investments:

	Ohio Revised Code 135		Ohio Revised Code 2109	
	Fair Value	Average Maturity	Fair Value	Average Maturity
Federal Home Loan Bank Bonds	\$11,416,980	358 Days	\$0	
STAROhio	4,059,917	61.2 Days	0	
Money Market/Principal Cash	3,891,935		3,256,943	
Common and Convertible Preferred Stock	0		5,264,822	
Federal National Mortgage Association Bonds	\$8,007,358	598 Days	0	
Federal Home Loan Mortgage Corporation Bonds	5,051,470	478 Days	0	
Corporate Bonds	0		1,693,368	
United States Treasury Notes	0		1,841,527	2/15/10-2/15/19
Federal National Mortgage Association				
Guaranteed Mortgage Passthru Certificate Pool	0		775,192	12/01/18-7/01/37
Federal Farm Credit Bank Bonds	8,845,490	283 Days	0	
Federal National Mortgage Association Notes	0		40,488	3/23/2011
Citigroup Incorporated Note	0		41,200	12/9/2011
Bank of America Corporation Note	0		25,905	6/15/2012
Total	\$41,273,150		\$12,939,445	

Investments are restricted by the provisions of the *Ohio Revised Code*. During 2009, investments of the cash management pool were limited to federal money market funds, treasury notes, federal agency

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

securities, and STAR Ohio, with the exception of the Library's endowment monies. The endowment monies are able to invest in common and preferred stock as upheld by a 1975 Cuyahoga County Probate Court Order granting authority to invest. For these endowment monies, according to the Probate Court Order and a ruling from the Cuyahoga County Prosecutor, the Library may invest under *Ohio Revised Code* Sections 2109.37 and 2109.371.

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

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

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The Library's investment policy places no limit on the amount it may invest in any one issuer. The following are the Library's major investment holdings as of December 31, 2009:

	Percentage of Investments
Federal Home Loan Bank Bonds	21.06 %
Federal Farm Credit Bank Bonds	16.31
Federal National Mortgage Association Bonds	14.77
Money Market/Principal Cash	13.19
Common and Convertible Preferred Stock	9.71
Federal Home Loan Mortgage Corp. Bonds	9.32

Note 6 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Library district. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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

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Cuyahoga County
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For Year Ended December 31, 2009

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008 on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2009, was \$6.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural/Other	\$2,796,094,950
Other Real Estate	2,540,255,530
Tangible Personal Property	
Public Utility	235,305,430
Total Assessed Values	\$5,571,655,910

The Cuyahoga County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Cleveland Public Library. The County Auditor periodically remits to the Library its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Note 7 - Receivables

Receivables at December 31, 2009, consisted of taxes, accounts (billings for user charged services), interest, and intergovernmental receivables. All receivables are deemed collectible in full.

The Library receives a substantial portion of its intergovernmental revenue from the Public Library Fund (PLF), (formerly the Library and Local Government Support fund or LLGSF), a State of Ohio fund based on a portion of the general revenues of Ohio as written in State law. The Cuyahoga County Budget Commission, consisting of the County Auditor, the County Treasurer and the County Prosecutor, allocate PLF monies to the nine library districts within Cuyahoga County, based on a determination of need. In 2009, the Library received 41.1843 percent of the countywide total, or \$21,728,067.

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For Year Ended December 31, 2009

A summary of the principal items of intergovernmental receivables follows:

	Amount
PLF	\$9,863,184
Homestead, Rollback and Commercial Activity Tax	6,306,018
Total	\$16,169,202

Note 8 – Interfund Balances

The general fund made advances to two non-major governmental funds, \$80,000 to the KnowItNow fund and \$30,000 to the Schweinfurth fund. Both advances are due to the timing of the receipt of grant monies to the nonmajor funds. The general fund has an interfund receivable and the Ohio Center for the Book has an interfund payable for \$900 in recognition of a duplicate revenue payment from an outside source to the Ohio Center for the Book fund which was refunded by the General Fund. All interfund balances will be repaid within the following year.

Note 9 - Risk Management

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

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

Workers' compensation is provided by the State. The Library pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Cleveland Public Library
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Notes to the Basic Financial Statements
For Year Ended December 31, 2009

Note 10 – Capital Assets

A summary of changes in capital assets during 2009 follows:

	Balance 12/31/08	Additions	Deletions	Balance 12/31/09
Governmental Activities				
<i>Nondepreciable Capital Assets</i>				
Land	\$2,701,082	\$14,240	\$0	\$2,715,322
Construction in Progress	854,444	4,579,177	(316,419)	5,117,202
<i>Total Nondepreciable Capital Assets</i>	<u>3,555,526</u>	<u>4,593,417</u>	<u>(316,419)</u>	<u>7,832,524</u>
<i>Depreciable Capital Assets</i>				
Buildings/Improvements	149,798,109	250,237	0	150,048,346
Furniture/Equipment	2,671,628	350,956	(11,790)	3,010,794
Computers	5,027,370	623,723	(135,444)	5,515,649
Vehicles	758,170	40,056	0	798,226
<i>Total Depreciable Capital Assets</i>	<u>158,255,277</u>	<u>1,264,972</u>	<u>(147,234)</u>	<u>159,373,015</u>
<i>Less Accumulated Depreciation</i>				
Buildings/Improvements	(53,381,302)	(3,618,529)	0	(56,999,831)
Furniture/Equipment	(2,233,650)	(157,674)	11,790	(2,379,534)
Computers	(4,282,890)	(414,777)	135,444	(4,562,223)
Vehicles	(586,635)	(71,189)	0	(657,824)
<i>Total Accumulated Depreciation</i>	<u>(60,484,477)</u>	<u>(4,262,169) *</u>	<u>147,234</u>	<u>(64,599,412)</u>
<i>Total Depreciable Capital Assets, Net</i>	<u>97,770,800</u>	<u>(2,997,197)</u>	<u>0</u>	<u>94,773,603</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$101,326,326</u>	<u>\$1,596,220</u>	<u>(\$316,419)</u>	<u>\$102,606,127</u>

*Depreciation expense was charged to governmental functions as follows:

Administration and Support	\$773,514
Public Services	3,488,655

Total	<u>\$4,262,169</u>

Note 11 – Long-Term Obligations

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

	Outstanding 12/31/2008	Additions	Reductions	Outstanding 12/31/2009	Amount Due in One Year
Compensated Absences Payable	\$5,562,393	\$209,414	\$971,846	\$4,799,961	\$318,882
	<u>\$5,562,393</u>	<u>\$209,414</u>	<u>\$971,846</u>	<u>\$4,799,961</u>	<u>\$318,882</u>

Compensated absences will be paid from the general fund.

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

Note 12 - Defined Benefit Pension Plans

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

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

Funding Policy—The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10.0 percent of covered payroll.

The Library's contribution rate for 2009 was 14.00 percent of covered payroll. For the period January 1 through March 31, a portion of the Library's contribution equal to 7.00 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$4,898,863, \$4,709,095, and \$4,511,207 respectively; 91 percent has been contributed for 2009, and 100 percent has been contributed for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$38,034 made by the Library and \$27,167 made by the plan members.

Note 13 – Post-Employment Benefits

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

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

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 7.00 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$2,055,773, \$2,354,547 and \$1,791,454 respectively; 91 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

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

Note 14 – Other Employee Benefits

Compensated Absences

Full-time employees are entitled to up to 15 sick days per year and may earn and carry forward up to 120 days of sick leave at the end of the fiscal year. Upon retirement, with up to 25 years of service, employees receive one-half of their accumulated sick leave. For each year of service over 25 years, employees receive compensation for an additional 5 days of sick leave up to their entire accumulated amount.

Vacation is earned based upon length of service and may be taken once earned, provided the employee works six months or more. Employees may carry forward up to 150 percent of their annual earned vacation leave at the end of any fiscal year.

Insurance

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

Cleveland Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For Year Ended December 31, 2009

Note 15 - Litigation

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

Note 16 – Operating Lease

Cleveland Public Library entered into an operating lease on May 17, 2007 with Bridgeport Place LLC for a 3,517 square foot portion of the building located at 7201 Kinsman Road for the purpose of housing the Garden Valley Branch. The Library commenced monthly rent payments of \$4,689.33 in early 2008 once the space was available for occupancy and continues to pay that same monthly rent amount during 2009 as well as common area prorated share expenses . This is a cancelable lease that is renewable for 5 year periods. The Library has the right to terminate the lease with 90 days written notice if the Library experiences material reduction in revenues.

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**CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Project	Pass Through	Federal	Disbursements
Program Title	Number	Entity	CFDA	
		Number	Number	
LIBRARY SERVICES AND TECHNOLOGY ACT (LSTA) - INSTITUTE OF MUSEUM & LIBRARY SERVICES				
<i>Passed Through State Library of Ohio</i>				
24-7 Virtual Reference Resource Sharing	II-4-08	N/A	45.310	\$246,423
24-7 Virtual Reference Resource Sharing	II-7-09	N/A	45.310	275,021
Blind & Physically Handicapped Project	VIII-9-09	N/A	45.310	223,892
Services To Targeted Populations Project	VIII-6-09	N/A	45.310	81,270
Services To Targeted Populations Project	VIII-7-09	N/A	45.310	14,671
TOTAL LIBRARY SERVICES AND TECHNOLOGY ACT (LSTA) - INSTITUTE OF MUSEUM & LIBRARY SERVICES				841,277
TOTAL FEDERAL ASSISTANCE				\$841,277

The accompanying notes are an integral part of this schedule.

**CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

CFDA—Catalog of Federal Domestic Assistance

N/A—Not Applicable



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining information of Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 12, 2010.

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

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

Mary Taylor, CPA
Auditor of State

July 12, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Cleveland Public Library, Cuyahoga County, Ohio, (the Library) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Library's major federal program. The Library's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Library's compliance based on our audit.

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

In our opinion, the Cleveland Public Library, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The Library's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Library's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

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

Mary Taylor, CPA
Auditor of State

July 12, 2010

**CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

CLEVELAND PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2010**