



**ROCKY RIVER PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

**Rocky River Public Library
Cuyahoga County**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

To the Members of the Board of Trustees:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

July 28, 2009

**Rocky River Public Library
Cuyahoga County**

Management's Discussion and Analysis
For the Years Ended December 31, 2008 and December 31, 2007
Unaudited

This discussion and analysis of the Rocky River Public Library's ("the Library") financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2008 and December 31, 2007, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$3,671, or 0.06%, a minimal change from the prior year.

The Library's general receipts are primarily property taxes and Intergovernmental Revenue. These receipts represent 94.92% of the total cash received during the year. Property taxes and Intergovernmental tax receipts, (primarily the Public Library Fund ("PLF"), formerly the Library and Local Government Support Fund ("LLGSF")), for 2008 increased \$26,739, or 0.60%, compared to 2007.

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$1,100,738, or (16.04%), due to significant expenditures made for the Library's renovation project that was completed in 2007.

The Library's general receipts are primarily property taxes and Intergovernmental Revenue. These receipts represent 91.48% of the total general cash receipts during the year. Property taxes and Intergovernmental tax receipts for 2007 increased \$12,806, or 0.29%, compared to 2006.

The Library began a major Renovation Project in 2006 and completed it in mid 2007.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

**Rocky River Public Library
Cuyahoga County**

Management's Discussion and Analysis
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Unaudited

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

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Library's funds are accounted for as Governmental Funds.

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

**Rocky River Public Library
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Management's Discussion and Analysis
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The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008, 2007, and 2006 on a cash basis.

(Table 1)

Net Assets

	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Equity in Pooled Cash & Cash Equivalents	<u>\$5,764,130</u>	<u>\$5,760,459</u>	<u>\$6,861,197</u>
Total Assets	<u>\$5,764,130</u>	<u>\$5,760,459</u>	<u>\$6,861,197</u>
Net Assets			
Restricted for:			
Capital Projects	\$534,328	\$502,689	\$2,264,094
Other Purposes	128,189	99,784	422,787
Permanent Fund Purpose	464,552	454,204	440,971
Unrestricted	<u>4,637,061</u>	<u>4,703,782</u>	<u>3,733,345</u>
Total Net Assets	<u>\$5,764,130</u>	<u>\$5,760,459</u>	<u>\$6,861,197</u>

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Table 2 reflects the changes in the Library's net assets in 2008, 2007 and 2006.

(Table 2)
Change In Net Assets

	Governmental Activities		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$ 61,150	\$ 52,280	\$ 48,399
Operating Grants and Contributions	12,151	14,983	1,475
Capital Grants and Contributions	<u>75</u>	<u>3,200</u>	<u>8,643</u>
Total Program Receipts	73,376	70,463	58,517
General Receipts:			
Property Taxes Levied for General Purposes	3,155,979	3,207,470	3,236,932
Unrestricted Gifts and Contributions	4,454	12,129	16,173
Grants & Entitlements not Restricted to Specific Programs	1,292,999	1,214,769	1,172,501
Sale of Capital Assets	1,190	3,734	268
Interest	157,439	319,212	376,523
Miscellaneous	<u>2,590</u>	<u>6,346</u>	<u>6,931</u>
Total General Receipts	<u>4,614,651</u>	<u>4,763,660</u>	<u>4,809,328</u>
Total Receipts	<u>4,688,027</u>	<u>4,834,123</u>	<u>4,867,845</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,740,445	1,527,559	1,380,398
Collection Development and Processing	1,132,163	1,097,982	1,056,898
Support Services:			
Facilities Operation and Maintenance	439,957	432,466	352,360
Information Services	309,552	232,561	168,490
Business Administration	351,629	316,562	239,010
Capital Outlay	468,435	2,089,606	1,467,818
Debt Service:			
Principal Retirement	180,000	170,000	165,000
Interest and Finance Charges	<u>62,175</u>	<u>68,125</u>	<u>73,900</u>
Total Disbursements	<u>4,684,356</u>	<u>5,934,861</u>	<u>4,903,874</u>
Change in Net Assets	3,671	(1,100,738)	(36,029)
Net Assets, January 1	<u>5,760,459</u>	<u>6,861,197</u>	<u>6,897,226</u>
Net Assets, December 31	<u>\$ 5,764,130</u>	<u>\$ 5,760,459</u>	<u>\$ 6,861,197</u>

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Property and Other Local Taxes and Intergovernmental Receipts in 2008, 2007, and 2006 are 94.92%, 91.55% and 90.59%, respectively, of total receipts. Earnings on Investments have become a smaller portion of total receipts as investment rates have declined significantly during 2008. Earnings on Investments during 2008, 2007 and 2006 were 3.36%, 6.61% percent and 7.74% in each year respectively of total receipts.

Disbursements for Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services and Business Administration represent the costs of running the Library.

The Library Renovation Project accounted for the majority of the increase in Capital Outlays in 2007 from 2006. Capital Outlays in 2008 declined significantly in 2008 with the completion of the Renovation Project in 2007.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are Public Service and Programs, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, Capital Outlay and Debt Service. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursement) column compares the program receipts to the cost of the service.

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This net cost amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2008	Net Cost Of Services 2008	Total Cost Of Services 2007	Net Cost Of Services 2007	Total Cost Of Services 2006	Net Cost Of Services 2006
Library Services:						
Public Service and Programs	\$ 1,740,445	\$ 1,678,695	\$ 1,527,559	\$ 1,463,149	\$ 1,380,398	\$ 1,330,699
Collection Development and Processing	1,132,163	1,131,812	1,097,982	1,097,153	1,056,898	1,056,723
Support Services:						
Facilities Operation and Maintenance	439,957	439,957	432,466	432,466	352,360	352,360
Information Services	309,552	309,552	232,561	232,561	168,490	168,491
Business Administration	351,629	340,429	316,562	314,538	239,010	239,009
Capital Outlay	468,435	468,360	2,089,606	2,086,406	1,467,818	1,459,175
Debt Service:						
Principal Retirement	180,000	180,000	170,000	170,000	165,000	165,000
Interest and Finance Charges	<u>62,175</u>	<u>62,175</u>	<u>68,125</u>	<u>68,125</u>	<u>73,900</u>	<u>73,900</u>
Total Governmental Activities	<u>\$4,684,356</u>	<u>\$4,610,980</u>	<u>\$5,934,861</u>	<u>\$5,864,398</u>	<u>\$4,903,874</u>	<u>\$4,845,357</u>

The Library's Funds

Total governmental funds had receipts in 2008 and 2007 of \$4,686,837 and \$4,830,389 respectively and disbursements of \$4,684,356 and \$5,934,861. With the passage of the operating levy in November of 2003, the Library is confident of its financial condition and its ability to continue to provide its current services to the public barring unforeseen circumstances. See "Current Issues" below.

General Fund Budgeting Highlights

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

During fiscal years 2008 and 2007, The Library's General Fund budget was stable. Final disbursements and transfers for 2008 and 2007 were budgeted at \$4,900,769 and \$4,993,205 respectively while actual disbursements and transfers were \$4,600,650 and \$4,295,750 respectively.

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Debt Administration

At December 31, 2008 and December 31, 2007, the Library had debt obligations of \$1,230,000 and \$1,410,000 from a Tax Anticipation Note Issuance in March 2005 with an initial principal amount of \$1,925,000. The Library has continuing sinking fund obligations on these Notes through 2014 as described in the Notes.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Library relies heavily on local taxes and PLF funding. The Library's levy request passed in 2003 was premised on the need to renovate the Library, increase services for children and to increase computer training and access for our patrons. These forecasts were done with an expectation that there would be no material growth in Local Government Support Funding (now the PLF) from the State of Ohio. The Board of Trustees and Administration conservatively forecasted the Library's needs for coming years and developed a plan that would allow the Library to complete its renovation plans and maintain the funding needed for operations in subsequent years. The PLF receipts were reduced in 2008 from 2007 and are forecasted by the State of Ohio to be substantially reduced in 2009 and 2010. It is not known if these reductions will be reversed in future years. The value of real estate in Cuyahoga County and other areas has been negatively impacted by numerous foreclosures in recent years. It is not known if these changes will translate into lower property tax collections in future years.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gary M. Hawkinson, Fiscal Officer, Rocky River Public Library, 1600 Hampton Road, Rocky River, Ohio 44116.

Rocky River Public Library, Cuyahoga County
Statement of Net Assets - Cash Basis
December 31, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,764,130
<i>Total Assets</i>	\$5,764,130
 Net Assets	
Restricted for:	
Capital Projects	\$534,328
Other Purposes	128,189
Permanent Fund Purpose	464,552
Unrestricted	4,637,061
<i>Total Net Assets</i>	\$5,764,130

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$1,740,445	61,150	600	(\$1,678,695)
Collection Development and Processing	1,132,163		351	(1,131,812)
Support Services:				
Facilities Operation and Maintenance	439,957			(439,957)
Information Services	309,552			(309,552)
Business Administration	351,629		11,200	(340,429)
Capital Outlay	468,435		75	(468,360)
Debt Service:				
Principal Retirement	180,000			(180,000)
Interest and Finance Charges	62,175			(62,175)
<i>Total Governmental Activities</i>	<u>\$4,684,356</u>	<u>\$61,150</u>	<u>\$12,151</u>	<u>\$75</u>
General Receipts				
				3,155,979
Property Taxes Levied for General Purposes				4,454
Unrestricted Gifts and Contributions				1,292,999
Grants and Entitlements not Restricted to Specific Programs				1,190
Sale of Capital Assets				157,439
Interest				2,590
Miscellaneous				4,614,651
<i>Total General Receipts</i>				
				3,671
Change in Net Assets				5,760,459
<i>Net Assets Beginning of Year</i>				
<i>Net Assets End of Year</i>				<u>\$5,764,130</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Capital Projects Fund - 401	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,765,250	\$ 330,328	\$ 668,552	\$ 5,764,130
<i>Total Assets</i>	<u>\$ 4,765,250</u>	<u>\$ 330,328</u>	<u>\$ 668,552</u>	<u>\$ 5,764,130</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 128,189	\$ 51,423	\$ -	\$ 179,612
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	4,637,061			4,637,061
Special Revenue Funds			464,552	464,552
Capital Projects Funds		278,905	204,000	482,905
<i>Total Fund Balances</i>	<u>\$ 4,765,250</u>	<u>\$ 330,328</u>	<u>\$ 668,552</u>	<u>\$ 5,764,130</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	<u>\$5,764,130</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,764,130</u></u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Capital Projects Fund - 401	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 3,155,979			\$ 3,155,979
Intergovernmental	1,050,824		242,175	1,292,999
Patron Fines and Fees	61,150			61,150
Contributions, Gifts and Donations	16,605		75	16,680
Earnings on Investments	145,806		11,633	157,439
Miscellaneous	2,590			2,590
<i>Total Receipts</i>	<u>4,432,954</u>	<u>-</u>	<u>253,883</u>	<u>4,686,837</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,739,160		1,285	1,740,445
Collection Development and Processing	1,132,163			1,132,163
Support Services:				
Facilities Operation and Maintenance	439,957			439,957
Information Services	309,552			309,552
Business Administration	351,629			351,629
Capital Outlay		310,767	157,668	468,435
Debt Service:				
Principal Retirement			180,000	180,000
Interest and Fiscal Charges			62,175	62,175
<i>Total Disbursements</i>	<u>3,972,461</u>	<u>310,767</u>	<u>401,128</u>	<u>4,684,356</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>460,493</u>	<u>(310,767)</u>	<u>(147,245)</u>	<u>2,481</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,190	-	-	1,190
Transfers In	-	500,000	-	500,000
Transfers Out	(500,000)	-	-	(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(498,810)</u>	<u>500,000</u>	<u>-</u>	<u>1,190</u>
<i>Net Change in Fund Balances</i>	(38,317)	189,233	(147,245)	3,671
<i>Fund Balances Beginning of Year</i>	<u>4,803,567</u>	<u>141,095</u>	<u>815,797</u>	<u>5,760,459</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,765,250</u>	<u>\$ 330,328</u>	<u>\$ 668,552</u>	<u>\$ 5,764,130</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008*

Net Change in Fund Balances - Total Governmental Funds	<u>\$3,671</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$3,671</u></u>

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 3,463,872	\$ 3,155,979	\$ 3,155,979	\$ -
Intergovernmental	953,697	1,050,824	1,050,824	-
Patron Fines and Fees	50,000	61,150	61,150	-
Contributions, Gifts and Donations	2,000	16,605	16,605	-
Earnings on Investments	160,000	145,806	145,806	-
Miscellaneous	-	2,590	2,590	-
<i>Total Receipts</i>	<u>4,629,569</u>	<u>4,432,954</u>	<u>4,432,954</u>	<u>-</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,856,246	1,856,246	1,746,762	109,484
Collection Development and Processing	1,332,322	1,332,322	1,239,496	92,826
Support Services:				
Facilities Operation and Maintenance	495,630	495,630	444,695	50,935
Information Services	347,032	347,032	311,658	35,374
Business Administration	369,539	369,539	358,039	11,500
Debt Service:				
Redemption of Principal	-	-	-	-
Interest	-	-	-	-
<i>Total Disbursements</i>	<u>4,400,769</u>	<u>4,400,769</u>	<u>4,100,650</u>	<u>300,119</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>228,800</u>	<u>32,185</u>	<u>332,304</u>	<u>300,119</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	1,190	1,190	-
Transfers In	-	-	-	-
Transfers Out	(500,000)	(500,000)	(500,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(500,000)</u>	<u>(498,810)</u>	<u>(498,810)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(271,200)	(466,625)	(166,506)	300,119
<i>Fund Balance Beginning of Year</i>	4,703,782	4,703,782	4,703,782	-
<i>Prior Year Encumbrances Appropriated</i>	99,784	99,784	99,784	-
<i>Fund Balance End of Year</i>	<u>\$ 4,532,366</u>	<u>\$ 4,336,941</u>	<u>\$ 4,637,060</u>	<u>\$ 300,119</u>

See accompanying notes to the basic financial statements

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Rocky River Public Library, Cuyahoga County
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,760,459
<i>Total Assets</i>	\$5,760,459
Net Assets	
Restricted for:	
Capital Projects	\$502,689
Other Purposes	99,784
Permanent Fund Purpose	454,204
Unrestricted	4,703,782
<i>Total Net Assets</i>	\$5,760,459

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Public Service and Programs	\$1,527,559	52,280	12,130		(\$1,463,149)
Collection Development and Processing	1,097,982		829		(1,097,153)
Support Services:					
Facilities Operation and Maintenance	432,466				(432,466)
Information Services	232,561				(232,561)
Business Administration	316,562		2,024		(314,538)
Capital Outlay	2,089,606			3,200	(2,086,406)
Debt Service:					
Principal Retirement	170,000				(170,000)
Interest and Finance Charges	<u>68,125</u>				<u>(68,125)</u>
<i>Total Governmental Activities</i>	<u>\$5,934,861</u>	<u>\$52,280</u>	<u>\$14,983</u>	<u>\$3,200</u>	(5,864,398)

General Receipts

Property Taxes Levied for General Purposes	3,207,470
Unrestricted Gifts and Contributions	12,129
Grants and Entitlements not Restricted to Specific Programs	1,214,769
Sale of Capital Assets	3,734
Interest	319,212
Miscellaneous	<u>6,346</u>
<i>Total General Receipts</i>	4,763,660
Change in Net Assets	(1,100,738)
<i>Net Assets Beginning of Year</i>	<u>6,861,197</u>
<i>Net Assets End of Year</i>	<u>\$5,760,459</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Major Capital Projects Fund - 402	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,803,567	\$355,977	\$600,915	\$5,760,459
<i>Total Assets</i>	<u>\$4,803,567</u>	<u>\$355,977</u>	<u>\$600,915</u>	<u>\$5,760,459</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$99,784	\$179,966	\$29,115	\$308,865
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	4,703,783			4,703,783
Special Revenue Funds			454,204	454,204
Capital Projects Funds		176,011	117,596	293,607
<i>Total Fund Balances</i>	<u>\$4,803,567</u>	<u>\$355,977</u>	<u>\$600,915</u>	<u>\$5,760,459</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007*

Total Governmental Fund Balances	<u>\$5,760,459</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$5,760,459</u></u>
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See accompanying notes to the basic financial statements

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

	General	Major Capital Projects Fund - 402	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 3,207,470			\$ 3,207,470
Intergovernmental	1,214,769			1,214,769
Patron Fines and Fees	52,280			52,280
Contributions, Gifts and Donations	27,112	3,000	200	30,312
Earnings on Investments	296,406		22,806	319,212
Miscellaneous	6,346			6,346
<i>Total Receipts</i>	<u>\$ 4,804,383</u>	<u>\$ 3,000</u>	<u>\$ 23,006</u>	<u>\$ 4,830,389</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,527,234		325	1,527,559
Collection Development and Processing	1,097,982			1,097,982
Support Services:				
Facilities Operation and Maintenance	422,501		9,965	432,466
Information Services	232,561			232,561
Business Administration	316,562			316,562
Capital Outlay		1,798,611	290,995	2,089,606
Debt Service:				
Principal Retirement	170,000			170,000
Interest and Fiscal Charges	68,125			68,125
<i>Total Disbursements</i>	<u>3,834,965</u>	<u>1,798,611</u>	<u>301,285</u>	<u>5,934,861</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>969,418</u>	<u>(1,795,611)</u>	<u>(278,279)</u>	<u>(1,104,472)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,734			3,734
Transfers In		325,000		325,000
Transfers Out	(325,000)			(325,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(321,266)</u>	<u>325,000</u>	<u>-</u>	<u>3,734</u>
<i>Net Change in Fund Balances</i>	648,152	(1,470,611)	(278,279)	(1,100,738)
<i>Fund Balances Beginning of Year</i>	<u>4,155,415</u>	<u>1,826,588</u>	<u>879,194</u>	<u>6,861,197</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,803,567</u>	<u>\$ 355,977</u>	<u>\$ 600,915</u>	<u>\$ 5,760,459</u>

See accompanying notes to the basic financial statements

Rocky River Public Library, Cuyahoga County
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds \$ (1,100,738)

Change in Net Assets of Governmental Activities \$ (1,100,738)

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 3,565,220	\$ 3,207,470	\$ 3,207,470	\$ -
Intergovernmental	815,919	1,214,769	1,214,769	-
Patron Fines and Fees	50,000	52,280	52,280	-
Contributions, Gifts and Donations	2,000	27,112	27,112	-
Earnings on Investments	150,000	296,406	296,406	-
Miscellaneous		6,436	6,346	(90)
<i>Total Receipts</i>	<u>4,583,139</u>	<u>4,804,473</u>	<u>4,804,383</u>	<u>(90)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,743,270	1,739,265	1,571,992	167,273
Collection Development and Processing	1,535,271	1,546,205	1,187,612	358,593
Support Services:				
Facilities Operation and Maintenance	492,389	501,549	425,876	75,673
Information Services	264,048	264,278	192,232	72,046
Business Administration	401,413	378,783	318,913	59,870
Capital Outlay	-	-	-	-
Debt Service:				
Redemption of Principal	170,000	170,000	170,000	-
Interest	68,125	68,125	68,125	-
<i>Total Disbursements</i>	<u>4,674,516</u>	<u>4,668,205</u>	<u>3,934,750</u>	<u>733,455</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(91,377)</u>	<u>136,268</u>	<u>869,633</u>	<u>733,365</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	3,734	3,734	-
Transfers In	-	-	-	-
Transfers Out	(325,000)	(325,000)	(325,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(325,000)</u>	<u>(321,266)</u>	<u>(321,266)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(416,377)	(184,998)	548,367	733,365
<i>Fund Balance Beginning of Year</i>	3,733,344	3,733,344	3,733,344	-
Prior Year Encumbrances Appropriated	422,071	422,071	422,071	-
<i>Fund Balance End of Year</i>	<u>\$ 3,739,038</u>	<u>\$ 3,970,417</u>	<u>\$ 4,703,782</u>	<u>\$ 733,365</u>

See accompanying notes to the basic financial statements

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**Rocky River Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Rocky River Public Library, Cuyahoga County, (“the Library”) was organized as a school district public library in 1928 under the laws of the State of Ohio. The Library has its own Board of Trustees (“Board of Trustees”) of seven members who are appointed by the Rocky River City School District Board of Education (“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 of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code (“ORC”) 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 Rocky River City School District (“School District”) although the School District serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the School District.

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

The Friends of the Rocky River Public Library, the Women’s Committee of the Rocky River Public Library and the Rocky River Public Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt for these organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Rocky River Public Library
Cuyahoga County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below. The Library does not apply FASB statements issued after November 30, 1989 to its activities.

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 statements of net assets and the statements of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

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

Fund Financial Statements

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

Governmental Funds

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

General Fund (Fund 101) - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Rocky River Public Library
Cuyahoga County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

Capital Projects Fund (Fund 401) – The Capital Projects Fund accounts for monies set aside by the Board of Trustees for capital projects that are smaller and a routine and recurring nature.

Major Capital Projects Fund (Fund 402) - The Major Capital Projects Fund accounts for monies set aside by the Board of Trustees for major capital and technology improvements.

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

C. Basis of Accounting

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

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

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Board of Trustees.

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

**Rocky River Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

The Ohio Revised Code limits investments to U.S. Savings Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, and STAR Ohio. During 2008 and 2007, the Library's investments were in STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008 and December 31, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2008 and 2007 amounted to \$145,806 and \$296,406, respectively.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library had \$464,552 at December 31, 2008 and \$454,204 at December 31, 2007 in Special Revenue Funds that were restricted by resolutions of the Board of Trustees.

G. Inventory and Prepaid Items

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits.

Rocky River Public Library
Cuyahoga County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

J. Capital Assets

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

K. Long-Term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

The Library had \$662,517 at December 31, 2008 and \$602,473 at December 31, 2007 restricted for capital projects and other purposes other than the special revenue funds discussed in Note F above.

M. Fund Balance Reserves

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

N. Interfund Transfers

Exchange transactions between funds are reported as receipts in the seller fund and as disbursements in the purchaser fund. Subsidies 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 disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Estimates

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

**Rocky River Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding for the general fund at December 31, 2008 and December 31, 2007 (budgetary basis) amounted to \$128,189 and \$99,784 respectively. There were not any advances from the General Fund, or any other fund, during 2008 and 2007.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**Rocky River Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (“STAR Ohio”).

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.

At December 31, 2008 and December 31, 2007, the Library had \$648 in each year in undeposited cash on hand for petty cash purposes which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

Deposits

The Library has no deposit policy for custodial risk beyond the requirements of State statute contained in ORC Section 135. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

Investments

As of December 31, 2008, the Library had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$ 5,599,635	54.7 days
Total Investments	\$ 5,599,635	

As of December 31, 2007, the Library had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$ 5,674,022	41.0 days
Total Investments	\$ 5,674,022	

Interest rate risk arises because the fair value of an investment changes as interest rates change. The Library’s investment policy addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Rocky River Public Library
Cuyahoga County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

The Library's investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard and Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Rocky River City School District. Property tax receipts received in 2008 and 2007 represent the collection of 2007 and 2006 taxes, respectively. Property taxes received in 2008 and 2007 were levied after October 1, 2008 and October 1, 2007, respectively, on the assessed values as of January 1, 2008, and January 1, 2007, the lien dates. Assessed values for real property taxes are established by State statute at 35% of appraised market value.

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

Public utility tangible property tax is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. Public utility property taxes collected in 2008 and 2007 which became a lien on December 31, 2007 and December 31, 2006, respectively, are levied after October 1, 2008 and October 1, 2007, respectively, and are collected in 2009 and 2008 respectively, with real property taxes.

Tangible personal property taxes received in 2008 and 2007 were levied after October 1, 2007 and October 1, 2006, respectively. Collections were made in 2008 and 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory is 6.25% for 2008 and 12.5% for 2007. This rate reduces to zero in 2009. Payments by multi-county taxpayers are due September 20 of each year. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3 with the remainder due September 20.

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The full tax rate for all Library operations for the years-ended December 31, 2008 and December 31, 2007, was \$6.10 (6.1 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

Real Property	<u>2008</u>	<u>2007</u>
Residential/Agricultural	\$ 610,795,720	\$ 607,699,400
Other Real Estate	117,917,120	114,892,750
Public Utility	6,044,760	8,839,250
General Tangible Personal Property	<u>4,487,541</u>	<u>12,471,366</u>
Total Assessed Value	\$ 739,245,141	\$ 743,902,766

The county treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The county auditor periodically remits to the Library the portion of the taxes collected.

**Rocky River Public Library
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NOTE 6 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008 and 2007, the Library contracted with several companies for various types of insurance coverage as follows:

Insurance Coverage at December 31, 2008

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Republic Franklin Insurance Co.	Commercial Property	\$10,215,000
	Building Contents	\$5,343,000
	Scheduled Fine Arts	\$1,293,100
	General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate
	Vehicle	\$1,000,000
Utica Mutual Insurance Co.	Commercial Umbrella	\$5,000,000
Federal Insurance Co.	Errors and Omissions	\$1,000,000 per loss/ \$3,000,000 aggregate
St. Paul Travelers	Commercial Crime	
	Employee Dishonesty	\$15,000
	Money & Securities	
	-Inside the Premises	\$15,000
	-Outside the Premises	\$5,000
Ohio Casualty Insurance Co.	Surety Bond	\$50,000

Insurance Coverage at December 31, 2007

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Republic Franklin Insurance Co.	Commercial Property	\$9,644,411
	Building Contents	\$5,186,991
	Scheduled Fine Arts	\$1,293,100
	General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate
	Vehicle	\$1,000,000
Utica Mutual Insurance Co.	Commercial Umbrella	\$5,000,000
Federal Insurance Co.	Errors and Omissions	\$1,000,000 per loss/ \$3,000,000 aggregate
St. Paul Travelers	Commercial Crime	
	Employee Dishonesty	\$15,000
	Money & Securities	
	-Inside the Premises	\$15,000
	-Outside the Premises	\$5,000
Ohio Casualty Insurance Co.	Surety Bond	\$50,000

**Rocky River Public Library
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*Notes to the Basic Financial Statements
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Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

For the years ended December 31, 2008 and 2007, the members of all three plans were required to contribute 10.0% and 9.5%, respectively of their annual covered salaries. The Library's contribution rate for pension benefits for 2008 and 2007 was 14.00% and 13.85% respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$310,564, \$ 282,780 and \$254,565 respectively. The full amounts have been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for 2008, 2007 and 2006 were \$1,325, \$366 and \$5,834 respectively made by the Library and \$947, \$251 and \$3,832 respectively made by the plan members.

NOTE 8 - POSTEMPLOYMENT BENEFITS

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

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code

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Cuyahoga County

Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007

permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008 and 2007, local government employers contributed 14.00% and 13.85%, respectively, of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions in 2008 which was allocated to fund postemployment healthcare was 7.00 %. The amount of the employer contributions in 2007 which was allocated to fund postemployment healthcare was 5.00% of covered payroll from January 1 through June 30, 2007, and 6.00% from July 1 through December 31, 2007.

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

The Library’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were \$155,608, \$112,158, and \$85,089 respectively; 100% has been contributed for 2008, 2007 and 2006.

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

**Rocky River Public Library
Cuyahoga County**

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2008 and December 31, 2007*

NOTE 9 – DEBT ADMINISTRATION

The Library issued \$1,925,000 in Tax Anticipation Notes on March 2, 2005 in two series at rates of 3.50 percent due December 31, 2010 and 5.00 percent due December 1, 2014 for the purpose of constructing, installing and equipping certain improvements to the Library.

A summary of the note transactions for the years ended December 31, 2007 and December 31, 2008 are as follows:

	Interest Rate	Balance December 31, 2006	2007 Additions	2007 Reductions	Balance December 31, 2007
<u>Governmental Activities</u>					
<u>Tax Anticipation Note</u>					
2005 Note R-1	3.50%	\$ 725,000	\$ -	\$ (170,000)	\$ 555,000
2005 Note R-2	5.00%	\$ 855,000	\$ -	\$ -	\$ 855,000
Total 2005 Note		\$ 1,580,000	\$ -	\$ (170,000)	\$ 1,410,000

	Interest Rate	Balance December 31, 2007	2008 Additions	2008 Reductions	Balance December 31, 2008
<u>Governmental Activities</u>					
<u>Tax Anticipation Note</u>					
2005 Note R-1	3.50%	\$ 555,000	\$ -	\$ (180,000)	\$ 375,000
2005 Note R-2	5.00%	\$ 855,000	\$ -	\$ -	\$ 855,000
Total 2005 Note		\$ 1,410,000	\$ -	\$ (180,000)	\$ 1,230,000

The Notes have the following mandatory sinking funds on December 1 in each of the years indicated:

Year	2005 Note R-1 Due December 1, 2010	2005 Note R-2 Due December 1, 2014	Total Annual Sinking Fund Requirement
2009	\$ 185,000		\$ 185,000
2010	\$ 190,000		\$ 190,000
2011		\$ 200,000	\$ 200,000
2012		\$ 205,000	\$ 205,000
2013		\$ 220,000	\$ 220,000
2014		\$ 230,000	\$ 230,000
TOTAL	\$ 375,000	\$ 855,000	\$ 1,230,000

Rocky River Public Library
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NOTE 10 – INTERFUND TRANSFERS

The General Fund (Fund 101) transferred \$500,000 to the Capital Projects Fund (Fund 401) in 2008 and \$325,000 to the Major Capital Projects Fund (Fund 402) in 2007.

NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Library sought public bids for the Parking Lot Project and opened the sealed bids on July 7, 2008. The bids were reviewed and the lowest responsible bid for the project was presented to the Board of Trustees on July 9, 2008 for approval. The successful bid was \$68,217 for the scope of the work being bid on. The Library entered into a contract with the successful bidder. The Parking Lot Project commenced and was completed in August 2008.

NOTE 12 – RELATED ORGANIZATIONS

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable; Friends of the Rocky River Public Library, Women’s Committee of the Rocky River Public Library and the Rocky River Public Library Foundation.



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*

Rocky River Public Library
Cuyahoga County
1600 Hampton Road
Rocky River, Ohio 44116

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rocky River Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2008, and December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 28, 2009, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

July 28, 2009



Mary Taylor, CPA
Auditor of State

ROCKY RIVER 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
NOVEMBER 5, 2009**