



**Auditor of State  
Betty Montgomery**



**ROCKY RIVER PUBLIC LIBRARY  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rocky River Public Library, Cuyahoga County, Ohio, (the Library) as of and for the year ended December 31, 2004, 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 modified 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 modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rocky River Public Library, Cuyahoga County, Ohio, as of December 31, 2004, and the respective changes in modified cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2005, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 6, 2005

Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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This discussion and analysis of the Rocky River Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004, within the limitations of the Library's modified cash basis 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 2004 are as follows:

Net assets of governmental activities increased \$191,888, or 5.7 percent, a significant change from the prior year. The increase in net assets was primarily due to expenditures below the appropriated levels in salaries, benefits and contracted services.

The Library's general receipts are primarily property taxes and Library and Local Government Support Fund ("LLGSF"). These receipts represent 96.04 percent of the total cash received during the year. Property taxes and LLGSF tax receipts for 2004 changed very little compared to 2003 due to stable tax rates and collections and due to a freeze of LLGSF by the Ohio Government.

The Library celebrated its 75<sup>th</sup> Anniversary in 2003, and passed a new property tax levy in November of 2003. The revenues from the new levy will be collected commencing in 2005, replacing a previous operating levy.

The Library is preparing for a renovation project to commence in 2006. \$1,170,000 was transferred from the General and Capital Funds, into the Bond/Note Fund in 2004. The Library will secure the balance of the renovation costs through the issuance of a revenue-anticipation note based on the anticipated collections of Local Government Support Funds from the State of Ohio.

### **Using the Basic Financial Statements**

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

#### **Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting 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.

Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**Basis of Accounting**

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

As a result of using the modified 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 modified 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 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type 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 modified 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 LLGSF.

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

**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. The funds of the Library are reported in one category: governmental.

Governmental Funds - The Library's activities are reported in 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



Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Bond/Note 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.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2004 on a modified cash basis. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>
	2004
<b>Assets</b>	
Cash and Cash Equiva \$	3,547,314
<b>Total Assets</b>	<b>\$ 3,547,314</b>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 1,496,889
Other Purposes	277,360
Unrestricted	1,773,065
<b>Total Net Assets</b>	<b>\$ 3,547,314</b>

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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

	Governmental Activities <u>2004</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$53,286
Operating Grants and Contributions	11,058
Capital Grants and Contributions	<u>5,175</u>
Total Program Receipts	<u>69,519</u>
General Receipts:	
Property and Other Local Taxes	2,010,426
Unrestricted Gifts and Contributions	1,584
Grants and Entitlements Not Restricted to Specific Programs	1,068,232
Interest	48,256
Miscellaneous	<u>7,638</u>
Total General Receipts	<u>3,136,136</u>
Total Receipts	<u>3,205,655</u>
Disbursements:	
Library Services:	
Public Service and Programs	1,262,631
Collection Development and Processing	1,003,588
Support Services:	
Facilities Operation and Management	310,631
Information Services	150,660
Business Administration	239,424
Capital Outlay	<u>46,833</u>
Total Disbursements	<u>3,013,767</u>
Increase in Net Assets	<u>191,888</u>
Net Assets, January 1, 2004	<u>3,355,426</u>
Net Assets, December 31, 2004	<u><u>\$3,547,314</u></u>

Program receipts represent only 2.17 percent of total receipts and are primarily comprised of patron fines and fees, and restricted contributions and donations.

General receipts represent 97.83 percent of the Library's total receipts, and of this amount, 64.11 percent are local taxes. State grants and entitlements make up another 34.06 of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, and business administration represent the costs of running the Library.

**Governmental Activities**

If you look at the Statement of Activities on page 10, 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 and Capital Outlay which account for 41.90 percent, 33.30 percent, 10.31 percent, 5.00 percent, 7.94 percent 1.55 percent, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursements) Receipts column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2004	Net Cost of Services 2004
Library Services:		
Public Service and Programs	1,262,631	1,205,728
Collection Development and Processing	1,003,588	1,002,424
Support Services:		
Facilities Operation and Maintenance	310,631	308,172
Information Services	150,660	150,660
Business Administration	239,424	235,606
Capital Outlay	46,833	41,658
<b>Total Expenses</b>	<b>\$3,013,767</b>	<b>\$2,944,248</b>

**The Library's Funds**

Total governmental funds had receipts of \$3,205,654 and disbursements of \$3,013,766. The fund balance of the General Fund increased \$230,665 (before transfers for the renovation project) as the result of prudent business management. With the passage of the new operating levy in November of 2003, the library is confident of its financial condition and its ability to provide continued and expanded services to its public.

Rocky River Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**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 year 2004, the Library amended its general fund budget numerous times, none significant. Final disbursements and transfers were budgeted at \$4,578,426 while actual disbursements and transfers were \$3,984,588. Maintaining actual expenditures below projected levels allowed the library to experience a net increase of \$230,665 to the General Fund, before transfers for the renovation project.

**Debt Administration**

At December 31, 2004, the Library had no debt obligations.

**Current Issues**

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and LIGSF funding. Our 2003 levy request was premised on the need to renovate the library, increase services for children and to increase computer training and access for our adult patrons. These forecasts were done with an expectation that there would be, at best, no material growth in Local Government Support Funding 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.

**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 James M. Wilson, Clerk-Treasurer, Rocky River Public Library, 1600 Hampton Road, Rocky River, Ohio 44116.

**Rocky River Public Library**  
**Cuyahoga County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,547,314</u>
<i>Total Assets</i>	<u><u>\$3,547,314</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$1,496,889
Other Purposes	277,360
Unrestricted	<u>1,773,065</u>
<i>Total Net Assets</i>	<u><u>\$3,547,314</u></u>

See accompanying notes to the basic financial statements

**Rocky River Public Library**  
**Cuyahoga County**  
Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2004

	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
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	1,262,631	52,993	3,910		(\$1,205,728)
Collection Development and Processing	1,003,588	239	925		(1,002,424)
Support Services:					
Facilities Operation and Maintenance	310,631		2,459		(308,172)
Information Services	150,660				(150,660)
Business Administration	239,424	54	3,764		(235,606)
Capital Outlay	46,833			5,175	(41,658)
<i>Total Governmental Activities</i>	<u>\$3,013,767</u>	<u>\$53,286</u>	<u>\$11,058</u>	<u>\$5,175</u>	<u>(2,944,248)</u>
<b>General Receipts</b>					
Property Taxes Levied for General Purposes					2,010,426
Grants and Entitlements not Restricted to Specific Programs					1,068,232
Unrestricted Gifts and Contributions					1,584
Interest					48,256
Miscellaneous					7,638
Total General Receipts					3,136,136
Change in Net Assets					191,888
<i>Net Assets Beginning of Year</i>					3,355,426
<i>Net Assets End of Year</i>					\$3,547,314

See accompanying notes to the basic financial statements

**Rocky River Public Library**  
**Cuyahoga County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,638,831	\$1,170,000	\$738,483	\$3,547,314
<i>Total Assets</i>	<u>\$1,638,831</u>	<u>\$1,170,000</u>	<u>\$738,483</u>	<u>\$3,547,314</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$277,360		\$52,165	\$329,525
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,361,471			1,361,471
Special Revenue Funds			411,593	411,593
Capital Projects Funds		1,170,000	274,725	1,444,725
<i>Total Fund Balances</i>	<u>\$1,638,831</u>	<u>\$1,170,000</u>	<u>\$738,483</u>	<u>\$3,547,314</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, 2004*

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<b>Total Governmental Fund Balances</b>	<u>\$3,547,314</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$3,547,314</u></u>

See accompanying notes to the basic financial statements



**Rocky River Public Library**  
**Cuyahoga County**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Bond/Note Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$2,010,426			\$2,010,426
Intergovernmental	1,068,232			1,068,232
Patron Fines and Fees	52,993			52,993
Contributions, Gifts and Donations	12,642		5,175	17,817
Earnings on Investments	43,029		5,226	48,255
Miscellaneous	7,931			7,931
<i>Total Receipts</i>	<u>3,195,253</u>	<u>0</u>	<u>10,401</u>	<u>3,205,654</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	1,262,381		250	1,262,631
Collection Development and Processing	1,003,588			1,003,588
Support Services:				
Facilities Operation and Maintenance	308,535		2,096	310,631
Information Services	150,660			150,660
Business Administration	239,424			239,424
Capital Outlay			46,832	46,832
<i>Total Disbursements</i>	<u>2,964,588</u>	<u>0</u>	<u>49,178</u>	<u>3,013,766</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>230,665</u>	<u>0</u>	<u>(38,777)</u>	<u>191,888</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		1,170,000		1,170,000
Transfers Out	(1,020,000)		(150,000)	(1,170,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,020,000)</u>	<u>1,170,000</u>	<u>(150,000)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(789,335)	1,170,000	(188,777)	191,888
<i>Fund Balances Beginning of Year</i>	2,428,166	0	927,260	3,355,426
<i>Fund Balances End of Year</i>	<u>\$1,638,831</u>	<u>\$1,170,000</u>	<u>\$738,483</u>	<u>\$3,547,314</u>

See accompanying notes to the basic financial statements

**Rocky River 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, 2004*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>191,888</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$191,888</u></u>
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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, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$2,002,776	\$2,002,776	\$2,010,426	\$7,650
Intergovernmental	1,064,167	1,064,167	1,068,232	4,065
Patron Fines and Fees	52,791	52,791	52,993	202
Contributions, Gifts and Donations	12,594	12,594	12,642	48
Earnings on Investments	42,865	42,865	43,029	164
Miscellaneous	7,902	7,902	7,931	29
<i>Total receipts</i>	<u>3,183,095</u>	<u>3,183,095</u>	<u>3,195,253</u>	<u>12,158</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	1,515,249	1,515,249	1,262,381	252,868
Collection Development and Processing	1,204,617	1,204,617	1,003,588	201,029
Support Services:				
Facilities Operation and Maintenance	370,338	370,338	308,535	61,803
Information Services	180,839	180,839	150,660	30,179
Business Administration	287,383	287,383	239,424	47,959
<i>Total Disbursements</i>	<u>3,558,426</u>	<u>3,558,426</u>	<u>2,964,588</u>	<u>593,838</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(375,331)</u>	<u>(375,331)</u>	<u>230,665</u>	<u>605,996</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(1,020,000)	(1,020,000)	(1,020,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,020,000)</u>	<u>(1,020,000)</u>	<u>(1,020,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,395,331)	(1,395,331)	(789,335)	605,996
<i>Fund Balance Beginning of Year</i>	<u>2,428,166</u>	<u>2,428,166</u>	<u>2,428,166</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,032,835</u>	<u>\$1,032,835</u>	<u>\$1,638,831</u>	<u>\$605,996</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 Year Ended December 31, 2004*

**NOTE 1 -- DESCRIPTION OF THE ENTITY**

Rocky River Public Library, Cuyahoga County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Rocky River City School District Board of Education. The Library provides the community with various educational and literary resources.

The Library's service district encompasses the Rocky River City School District, which includes all of the City of Rocky River, and a portion of the City of Fairview Park.

The Library provides a base level of service to the school district. The electorate of the school district has chosen to levy additional taxes pursuant to Section 5705.19, Revised Code, in order to receive enhanced service for its residents

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that provide significant ongoing financial support to the Library. The Library has no component units.

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**

**A. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting other than generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the calendar year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is 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. The following are the Library's major governmental funds:

**General Fund** The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Bond/Note Fund** This fund is to be used for the major renovation of the Library in 2006.

**Rocky River Public Library**  
Cuyahoga County  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2004*  
(Continued)

**C. 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 the fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library.

The statement of net assets presents the financial condition of the governmental activities of the Library at December 31, 2004. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Library's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of 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 the governmental programs are self-financing or draw from the general revenues of the Library.

**Fund Financial Statements** 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.

**D. Cash and Investments**

The Library deposits and invests cash in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents and as investments.

**E. Inventory**

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, 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.

**H. Net Assets**

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

**Rocky River Public Library**  
Cuyahoga County  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2004*  
(Continued)

**NOTE 3 -- EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes classify monies 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Trustees 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.

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

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

1. United States Treasury Notes, Bill, Bonds, Notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, 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.
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

**Rocky River Public Library**  
 Cuyahoga County  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2004*  
 (Continued)

8. Under limited circumstances, corporate 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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the Library had \$648 in unreported cash which is included on the balance sheet of the Library as a part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No.3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

**Deposits** At fiscal year end, the carrying amount of the Library's deposits was \$11,838 and the bank balance was \$42,187. Of the bank balance:

1. All \$42,187 was covered by depository insurance.

**Investments** Investments are required to be categorized to give an indication of the level of risk assumed by the Library at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Library's name. The Library's investment in STAROhio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value
STAROhio	\$ 3,534,828
	\$ 3,534,828

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9		
Investments which are part of the cash management pool:		
STAROhio	(3,534,828)	3,534,828
	\$ (3,534,828)	\$ 3,534,828



**Rocky River Public Library**  
Cuyahoga County  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2004*  
(Continued)

**NOTE 4 -- RETIREMENT SYSTEMS**

The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants gross salaries for 2004. The Library has paid all contributions required through December 31, 2004.

**NOTE 5 -- RISK MANAGEMENT**

The Rocky River Public Library has obtained commercial insurance for the following risks:

- Commercial property;
- Vehicle;
- Inland marine;
- Commercial crime;
- Comprehensive and general liability;
- Errors and Omissions, and
- Surety bonds

**NOTE 6 -- LONG TERM OBLIGATIONS**

The Library has no long-term obligations as of December 31, 2004.

**NOTE 7 -- SUBSEQUENT EVENTS**

In March of 2005, the Library issued \$1,925,000 in anticipation notes against future receipts of the Library Local Government Support funding. The proceeds from the notes will be used to fund the major portion of the Library's 2006-2007 renovation project. The renovation project is anticipated to cost the library approximately \$3,000,000, and is scheduled to commence in March, 2006.

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**Auditor of State  
Betty Montgomery**

**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 year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 6, 2005, wherein we noted the Library revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated October 6, 2005, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

**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*.

Rocky River Public Library  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

October 6, 2005



**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**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 17, 2005**