



Mary Taylor, CPA
Auditor of State

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY**

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CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cuyahoga County Public Library
Cuyahoga County
2111 Snow Road
Parma, Ohio 44134

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 Cuyahoga County Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cuyahoga County Public Library, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and Trust Fund – Special thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3, for the years ended December 31, 2005 and December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard Board Statement 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 August 31, 2007, 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental 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.

We conducted our audit to opine on the financial statements that collectively comprise the Library's basic financial statements. The 2005 federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

August 31, 2007

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Cuyahoga County Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2004 and 2005, 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 and 2005 are as follows:

- Net assets of governmental activities increased \$10,263,269 or 152.05 percent, a significant change from 2004 to 2005. This increase was a direct result of the first year levy receipts from the successful passage of an operating levy of 1.4 mill replacement and a .6 mill increase. The levy was passed by voters in March of 2004 with collection beginning in January of 2005. The fund most affected by the increase in cash and cash equivalents was the General Fund.
- The Library's general receipts are primarily from the Library and Local Government Support Fund and the 1.4 mill operating levy in 2004 and the new 2.0 mill, 5 year operating levy for 2005. These Library and Local Government Support and levy receipts represent 96.5 percent of the total cash received for governmental activities in 2004 and 95.8 percent for 2005.
- During 2004, the Library replaced the parking lot and roof at the Middleburg Heights Branch and upgraded the fire sprinkler system at the Southeast Branch. Projects in 2005 included a replacement of the HVAC systems at both the Orange Branch and the Beachwood Branch. All branches in 2005 were cabled for wireless computer access and the parking lot at the Maple Heights Branch was replaced. With the increased funding in 2005 we were also able to replace many of the public access computers and printers that had been scheduled for replacement in earlier years but had to be postponed until our funding increased. Many maintenance projects throughout the system were also completed in 2005 with the increased funding.
- In July 2004 the Library along with the Cleveland Public Library and the Northeastern Ohio Library Association (NOLA) entered into a contract with the State Library of Ohio to provide 24 hour access to reference and homework help via a computer. The service was titled "Know It Now". The Library is the fiscal agent for the project and requests the funds from the State Library on a monthly basis and disburses the funds to the Cleveland Public Library and NOLA with the exception of the funds to pay for marketing expenses. Those services are contracted for through the Cuyahoga County Public Library and subsequently paid for through funds from the grant. This grant was funded for a second year and another contract was executed with the State Library to provide the service in July of 2005.
- The Library contracted with Fifth Third Bank to accept credit/debit cards for payment of fines and fees beginning in January 2005. We extended this service in June 2005 to include payment of fines and fees on-line using a credit/debit card. Library patrons have embraced this service and the use of credit/debit card payments increases each month.

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

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.

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 per Auditor of State Bulletin 2005-002 and GASB Statement No. 34. 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 and 2005, within the limitations of modified 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 program. Program receipts include charges paid by the recipient of the program's goods or services and 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. 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 and infrastructure, 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 tax and library and local government support.

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

In the statement of net assets and the statement of activities, the Library reports:

Governmental activities. All of the Library's programs and basic services are reported here including general public services, purchased and contracted services and collection development and processing. Library and local government support and property taxes finance most of these activities. 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 split into two categories: governmental and fiduciary.

Governmental Funds. Most of the Library's activities are reported in governmental funds. The governmental funds 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 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, Trust Fund-Special and Capital Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a comparison of the Library's net assets for 2005, 2004 and 2003 on a modified cash basis:

TABLE 1
Statement of Net Assets

	Governmental Activities		
	2005	2004	2003
Assets			
Cash and Cash Equivalents	\$16,904,966	\$6,641,697	\$8,413,674
Net Assets			
Restricted			
Capital Projects	5,914,795	2,631,743	2,969,641
Permanent Funds	53,833	52,269	53,361
Other Purposes	1,407,027	1,208,458	964,176
Unrestricted	9,529,311	2,749,227	4,426,496
	\$16,904,966	\$6,641,697	\$8,413,674

As mentioned previously, net assets of governmental activities increased \$10,263,269 or 152.05 percent during 2005. The primary reason for the increase in cash balances is that the first year levy receipts were received from the 2 mill, 5 year operating levy passed in March 2004.

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets in 2004 and 2005. A comparative analysis of government-wide data has been presented for years 2004 and 2005.

TABLE 2
Changes in Net Assets

	Governmental Activities		
	2005	2004	Difference
Receipts			
Program Receipts:			
Charges for Services	\$997,073	\$872,071	\$125,002
Operating Grants and Contributions	1,142,174	538,679	603,495
<i>Total Program Receipts</i>	<u>2,139,247</u>	<u>1,410,750</u>	<u>728,497</u>
General Receipts:			
Property and Other Taxes	32,412,099	19,192,410	13,219,689
Unrestricted Gifts	191	13,450	(13,259)
Grants and Entitlements	29,220,552	27,416,370	1,804,182
Miscellaneous	568,990	268,794	300,196
<i>Total General Receipts</i>	<u>62,201,832</u>	<u>46,891,024</u>	<u>15,310,808</u>
<i>Total Receipts</i>	<u>64,341,079</u>	<u>48,301,774</u>	<u>16,039,305</u>
Program Expenses			
Library Services:			
Public Service and Programs	33,872,793	32,480,080	1,392,713
Collection Development and Processing	2,854,966	2,659,407	195,559
Support Services:			
Facilities Operation and Maintenance	5,302,850	5,044,003	258,847
Business Administration	10,339,552	9,607,820	731,732
Capital Outlay	1,707,649	455,716	1,251,933
Total Program Expenses	<u>54,077,810</u>	<u>50,247,026</u>	<u>3,830,784</u>
Increase (Decrease) in Net Assets	10,263,269	(1,945,252)	12,208,521
Net Assets Beginning of Year	<u>6,641,697</u>	<u>8,586,949</u>	<u>(1,945,252)</u>
Net Assets End of Year	<u>\$16,904,966</u>	<u>\$6,641,697</u>	<u>\$10,263,269</u>

Program receipts of \$2,139,247 in 2005 and \$1,410,750 in 2004 are primarily comprised of patron fees, contributions and grants. The increase of \$728,497 in program receipts is primarily due to additional grant monies received in 2005.

Virtually all of the Library's total receipts are General receipts, and of the total amount, property and other taxes and grants and entitlements account for 96.5 percent in 2004 and 95.8 percent in 2005. As noted previously, the \$13,219,689 increase in property and other taxes is due to 2005 being the first year levy receipts were received from the 2 mill, 5 year operating levy passed in March 2004. Other receipts are insignificant and somewhat unpredictable revenue sources.

The \$3,830,784 increase in disbursements is primarily due to increased overhead costs of running the Library and the support services provided for the other Library activities. Increased personnel costs and additional capital projects during 2005 also contributed to the increase.

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Governmental Activities

If you look at the Statements of Activities on pages 11 and 12, 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 program disbursements for governmental activities are for public library services and programs. 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 Receipt (Disbursement) 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 Library and Local Government Support Fund, levy receipts, investment income, contributions and gifts and miscellaneous. These net costs are paid from the general receipts which are presented at the bottom of the Statement.

The Library's Funds

Total governmental funds had receipts of \$48,301,774 and disbursements of \$50,247,026 for 2004 and receipts of \$64,341,079 and disbursements of 54,077,810 for 2005. From 2003 to 2004, the fund balance of the General Fund decreased \$1,677,269 as the result of a transfer of cash from the Capital Fund in 2003 and no additional funds transferred in 2004. From 2004 to 2005, the fund balance of the General Fund increased \$6,780,084 as a result of the increase in property tax proceeds through the passage of a 2 mill, 5 year operating levy.

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 2004 and 2005, the difference between final budgeted receipts and actual receipts was not significant.

Original disbursements were budgeted at \$61,528,377 and final disbursements were budgeted at \$63,208,929, while actual disbursements were \$57,473,578 for 2005. For 2004, original disbursements were budgeted at \$53,751,108 and final disbursements were budgeted at \$53,756,608, while actual disbursements were \$51,515,607 for 2004. The Library kept spending very close and in all instances under the budgeted amounts.

Debt and Capital Assets

The Library currently has no outstanding debt. The Library has chosen not to present capital assets as part of its financial statements. The Library does however, track their capital assets even though they are not presented.

Cuyahoga County Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted in 1985 by the State of Ohio incorporating the intangible tax into the State's personal income tax. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. However, due to the budget deficits in the State of Ohio, public libraries are susceptible to attempts by the State to divert the LLGSF for other uses.

The fiscal year 2006-2007 biennium Ohio State Budget language "freezes" the allocation of the LLGSF at the 2004 levels through the end of the biennium (June 2007).

One significant challenge the Library faces is finding a way to pay for capital projects into the future. The funding that is currently being received will need to be used for operating costs so there will be no additional funds within the current operating budget to fund significant capital projects. A committee is currently working on this issue and will make a recommendation to the Board of Trustees.

Health care costs continue to increase and the Library shall continue to pursue ways to stabilize or lower these costs.

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 Scott A. Morgan, Finance Director, Cuyahoga County Public Library, 2111 Snow Road, Parma, OH 44134, or email at smorgan@cuyahogalibrary.org.

Cuyahoga County Public Library, Cuyahoga County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$16,904,966</u>
Net Assets	
Restricted for:	
Capital Projects	\$5,914,795
Permanent Fund:	
Nonexpendable	53,833
Other Purposes	1,407,027
Unrestricted	<u>9,529,311</u>
<i>Total Net Assets</i>	<u>\$16,904,966</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,641,697</u>
Net Assets	
Restricted for:	
Capital Projects	\$2,631,743
Permanent Fund:	
Nonexpendable	52,269
Other Purposes	1,208,458
Unrestricted	<u>2,749,227</u>
<i>Total Net Assets</i>	<u>\$6,641,697</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$33,872,793	\$978,223	\$1,142,174	(\$31,752,396)
Collection Development and Processing	2,854,966	0	0	(2,854,966)
Support Services:				
Facilities Operation and Maintenance	5,302,850	18,850	0	(5,284,000)
Business Administration	10,339,552	0	0	(10,339,552)
Capital Outlay	1,707,649	0	0	(1,707,649)
<i>Total Governmental Activities</i>	<u>\$54,077,810</u>	<u>\$997,073</u>	<u>\$1,142,174</u>	<u>(51,938,563)</u>
		General Receipts		
		Property Taxes Levied for General Purposes		32,412,099
		Unrestricted Gifts and Contributions		191
		Grants and Entitlements not Restricted to Specific Programs		29,220,552
		Interest		472,564
		Miscellaneous		96,426
		<i>Total General Receipts</i>		<u>62,201,832</u>
		Change in Net Assets		10,263,269
		<i>Net Assets Beginning of Year</i>		<u>6,641,697</u>
		<i>Net Assets End of Year</i>		<u>\$16,904,966</u>

See accompanying notes to the basic financial statements

Cuyahoga County 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	Governmental Activities
Governmental Activities				
Library Services:				
Public Service and Programs	\$32,480,080	\$855,570	\$538,679	(\$31,085,831)
Collection Development and Processing	2,659,407	0	0	(2,659,407)
Support Services:				
Facilities Operation and Maintenance	5,044,003	16,501	0	(5,027,502)
Business Administration	9,607,820	0	0	(9,607,820)
Capital Outlay	455,716	0	0	(455,716)
<i>Total Governmental Activities</i>	<u>\$50,247,026</u>	<u>\$872,071</u>	<u>\$538,679</u>	<u>(48,836,276)</u>
		General Receipts		
		Property Taxes Levied for General Purposes		18,928,611
		Other Local Taxes		263,799
		Unrestricted Gifts and Contributions		13,450
		Grants and Entitlements not Restricted to Specific Programs		27,416,370
		Interest		220,324
		Miscellaneous		48,470
		<i>Total General Receipts</i>		<u>46,891,024</u>
		Change in Net Assets		(1,945,252)
		<i>Net Assets Beginning of Year - Restated (See Note 3)</i>		<u>8,586,949</u>
		<i>Net Assets End of Year</i>		<u><u>\$6,641,697</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$9,529,311	\$5,914,795	\$1,460,860	\$16,904,966
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$4,467,321	\$0	\$50,471	\$4,517,792
Unreserved:				
Undesignated, Reported in:				
General Fund	5,061,990	0	0	5,061,990
Special Revenue Funds	0	0	1,356,556	1,356,556
Capital Projects Funds	0	5,914,795	0	5,914,795
Permanent Funds	0	0	53,833	53,833
<i>Total Fund Balances</i>	<u>\$9,529,311</u>	<u>\$5,914,795</u>	<u>\$1,460,860</u>	<u>\$16,904,966</u>

See accompanying notes to the basic financial statements

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

	General	Trust Fund - Special	Capital Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,749,227	\$788,761	\$2,631,743	\$471,966	\$6,641,697
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$2,155,578	\$540	\$110,004	\$26,283	\$2,292,405
Unreserved:					
Undesignated, Reported in:					
General Fund	593,649	0	0	0	593,649
Special Revenue Funds	0	788,221	0	393,414	1,181,635
Capital Projects Funds	0	0	2,521,739	0	2,521,739
Permanent Funds	0	0	0	52,269	52,269
<i>Total Fund Balances</i>	<u>\$2,749,227</u>	<u>\$788,761</u>	<u>\$2,631,743</u>	<u>\$471,966</u>	<u>\$6,641,697</u>

See accompanying notes to the basic financial statements

Cuyahoga County 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, 2005

	General	Capital Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$32,412,099	\$0	\$0	\$32,412,099
Intergovernmental	29,220,552	0	1,032,115	30,252,667
Patron Fines and Fees	954,828	0	16,102	970,930
Services Provided to Others	7,293	0	0	7,293
Contributions, Gifts and Donations	2,732	0	107,518	110,250
Rentals	18,850	0	0	18,850
Earnings on Investments	362,793	75,061	34,710	472,564
Miscellaneous	93,194	0	3,232	96,426
<i>Total Receipts</i>	<u>63,072,341</u>	<u>75,061</u>	<u>1,193,677</u>	<u>64,341,079</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	32,915,621	0	957,172	33,872,793
Collection Development and Processing	2,854,966	0	0	2,854,966
Support Services:				
Facilities Operation and Maintenance	5,302,850	0	0	5,302,850
Business Administration	10,335,228	0	4,324	10,339,552
Capital Outlay	1,597,592	78,009	32,048	1,707,649
<i>Total Disbursements</i>	<u>53,006,257</u>	<u>78,009</u>	<u>993,544</u>	<u>54,077,810</u>
<i>Excess of Receipts Over Disbursements</i>	<u>10,066,084</u>	<u>(2,948)</u>	<u>200,133</u>	<u>10,263,269</u>
Other Financing Sources (Uses)				
Transfers In	0	3,286,000	0	3,286,000
Transfers Out	(3,286,000)	0	0	(3,286,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,286,000)</u>	<u>3,286,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	6,780,084	3,283,052	200,133	10,263,269
<i>Fund Balances Beginning of Year</i>	<u>2,749,227</u>	<u>2,631,743</u>	<u>1,260,727</u>	<u>6,641,697</u>
<i>Fund Balances End of Year</i>	<u><u>\$9,529,311</u></u>	<u><u>\$5,914,795</u></u>	<u><u>\$1,460,860</u></u>	<u><u>\$16,904,966</u></u>

See accompanying notes to the basic financial statements

Cuyahoga County 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	Trust Fund - Special	Capital Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$19,192,410	\$0	\$0	\$0	\$19,192,410
Intergovernmental	27,416,370	0	0	402,112	27,818,482
Patron Fines and Fees	836,767	0	0	11,516	848,283
Services Provided to Others	7,287	0	0	0	7,287
Contributions, Gifts and Donations	16,446	9,140	0	124,431	150,017
Rentals	16,501	0	0	0	16,501
Earnings on Investments	162,604	10,057	42,141	5,522	220,324
Miscellaneous	34,375	0	0	14,095	48,470
<i>Total Receipts</i>	<u>47,682,760</u>	<u>19,197</u>	<u>42,141</u>	<u>557,676</u>	<u>48,301,774</u>
Disbursements					
Current:					
Library Services:					
Public Service and Programs	32,013,137	23,364	0	443,579	32,480,080
Collection Development and Processing	2,659,407	0	0	0	2,659,407
Support Services:					
Facilities Operation and Maintenance	5,044,003	0	0	0	5,044,003
Business Administration	9,605,702	0	0	2,118	9,607,820
Capital Outlay	37,780	0	380,039	37,897	455,716
<i>Total Disbursements</i>	<u>49,360,029</u>	<u>23,364</u>	<u>380,039</u>	<u>483,594</u>	<u>50,247,026</u>
<i>Net Change in Fund Balances</i>	(1,677,269)	(4,167)	(337,898)	74,082	(1,945,252)
<i>Fund Balances Beginning of Year</i>	<u>4,426,496</u>	<u>792,928</u>	<u>2,969,641</u>	<u>397,884</u>	<u>8,586,949</u>
<i>Fund Balances End of Year</i>	<u>\$2,749,227</u>	<u>\$788,761</u>	<u>\$2,631,743</u>	<u>\$471,966</u>	<u>\$6,641,697</u>

See accompanying notes to the basic financial statements

Cuyahoga County 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$32,163,364	\$32,412,099	\$32,412,099	\$0
Intergovernmental	30,095,652	29,220,087	29,220,552	465
Patron Fines and Fees	950,000	955,000	954,828	(172)
Services Provided to Other Entities	6,000	6,000	7,293	1,293
Contributions, Gifts and Donations	20,000	20,000	2,732	(17,268)
Rentals	0	18,000	18,850	850
Interest	235,000	362,790	362,793	3
Miscellaneous	85,000	103,050	93,194	(9,856)
<i>Total receipts</i>	<u>63,555,016</u>	<u>63,097,026</u>	<u>63,072,341</u>	<u>(24,685)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	37,404,426	38,207,124	35,889,763	2,317,361
Collection Development and Processing	3,242,489	3,313,796	2,860,768	453,028
Support Services:				
Facilities Operation and Maintenance	7,294,615	7,455,034	6,435,858	1,019,176
Business Administration	11,776,082	12,382,390	10,689,597	1,692,793
Capital Outlay	1,810,765	1,850,585	1,597,592	252,993
<i>Total Disbursements</i>	<u>61,528,377</u>	<u>63,208,929</u>	<u>57,473,578</u>	<u>5,735,351</u>
<i>Excess of Receipts Over Disbursements</i>	2,026,639	(111,903)	5,598,763	5,710,666
Other Financing Uses				
Transfers Out	(3,724,461)	(3,806,368)	(3,286,000)	520,368
<i>Net Change in Fund Balance</i>	(1,697,822)	(3,918,271)	2,312,763	6,231,034
<i>Fund Balance Beginning of Year</i>	593,649	593,649	593,649	0
Prior Year Encumbrances Appropriated	2,155,578	2,155,578	2,155,578	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,051,405</u>	<u>(\$1,169,044)</u>	<u>\$5,061,990</u>	<u>\$6,231,034</u>

See accompanying notes to the basic financial statements

Cuyahoga County 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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$19,427,374	\$19,168,417	\$19,192,410	\$23,993
Intergovernmental	27,452,262	27,452,262	27,416,370	(35,892)
Patron Fines and Fees	900,000	905,000	836,767	(68,233)
Services Provided to Others	6,000	6,000	7,287	1,287
Contributions, Gifts and Donations	20,000	20,000	16,446	(3,554)
Rentals	0	18,000	16,501	(1,499)
Interest	200,000	200,000	162,604	(37,396)
Miscellaneous	84,000	61,000	34,375	(26,625)
<i>Total receipts</i>	<u>48,089,636</u>	<u>47,830,679</u>	<u>47,682,760</u>	<u>(147,919)</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	34,019,740	34,023,221	32,931,445	1,091,776
Collection Development and Processing	2,845,791	2,846,083	2,679,207	166,876
Support Services:				
Facilities Operation and Maintenance	6,239,892	6,240,531	5,878,984	361,547
Business Administration	10,605,787	10,606,873	9,988,191	618,682
Capital Outlay	39,898	39,900	37,780	2,120
<i>Total Disbursements</i>	<u>53,751,108</u>	<u>53,756,608</u>	<u>51,515,607</u>	<u>2,241,001</u>
<i>Excess of Receipts Under Disbursements</i>	(5,661,472)	(5,925,929)	(3,832,847)	2,093,082
Other Financing Sources				
Transfers In	1,500,000	1,500,000	0	(1,500,000)
<i>Net Change in Fund Balance</i>	(4,161,472)	(4,425,929)	(3,832,847)	593,082
<i>Fund Balance Beginning of Year</i>	2,602,340	2,602,340	2,602,340	0
Prior Year Encumbrances Appropriated	1,824,156	1,824,156	1,824,156	0
<i>Fund Balance End of Year</i>	<u>\$265,024</u>	<u>\$567</u>	<u>\$593,649</u>	<u>\$593,082</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Trust Fund - Special

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Contributions, Gifts and Donations	\$40,000	\$40,000	\$9,140	(\$30,860)
Interest	10,000	10,000	10,057	57
<i>Total receipts</i>	50,000	50,000	19,197	(30,803)
Disbursements				
Current:				
Library Services:				
Public Service and Programs	98,000	98,000	23,904	74,096
<i>Net Change in Fund Balance</i>	(48,000)	(48,000)	(4,707)	43,293
<i>Fund Balance Beginning of Year</i>	791,494	791,494	791,494	0
Prior Year Encumbrances Appropriated	1,434	1,434	1,434	0
<i>Fund Balance End of Year</i>	<u>\$744,928</u>	<u>\$744,928</u>	<u>\$788,221</u>	<u>\$43,293</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2005

	<u>Deposits</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	<u>\$25,473</u>
Liabilities	
Deposits Held and Due to Others	<u>\$25,473</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library, Cuyahoga County
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2004

	<u>Deposits</u>
Assets	
Equity Pooled in Cash and Cash Equivalents	<u>\$36,997</u>
Liabilities	
Deposits Held and Due to Others	<u>\$36,997</u>

See accompanying notes to the basic financial statements

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Library and Reporting Entity

The Cuyahoga County Public Library (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 has its own Board of Trustees of seven members who are appointed by the County Commissioners and the Common Pleas Judges. 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 with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer. The Library provides the community with various educational and literary resources.

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 has no component units.

The Friends of the Cuyahoga County Public Library consist of twenty-six separate not-for-profit organizations each with a self-appointing board. The Library is not financially accountable for any of the organizations, nor does the Library approve the budgets or the issuance of debt for any of the 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 under Basis of Accounting below, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting.

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and governmental financial statements, which provide a more detailed level of financial information. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement 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 or regulatory program for which the Library is responsible. 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, and receipts of interest earned on grants that are required to be used to support 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 modified 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 is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange 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 - 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.

Trust Fund – Special - The trust fund-special accounts for branch assets held by the Board of Trustees.

Capital Fund - The capital fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for monies held for employee contributions to a flexible spending account used for healthcare.

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency 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 level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library 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 Finance Director. 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 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 Trustees during the year.

E. Cash and Cash Equivalents

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."

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 (contra revenue), respectively.

During 2004 and 2005 investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, a money market fund, STAROhio and nonnegotiable certificates of deposit. Except for the money market fund and STAROhio these investments are recorded at cost.

The Library's money market fund investment is recorded at amounts reported by Key Bank on December 31, 2005 and December 31, 2004.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$362,793 which includes \$96,731 assigned from other Library funds. Interest receipt credited to the general fund during 2004 amounted to \$162,604 which includes \$77,488 assigned from other Library funds.

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.

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. 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.

I. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

K. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Library's modified 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.

M. 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. Net assets restricted for other purposes include resources restricted for special library programs.

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.

N. 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.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. 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 (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

For the year ended December 31, 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of GASB Statement No. 34, "Basis Financial Statements – and Management's Discussion and Analysis for State and Local Governments". The financial statements now include entity-wide financial statements, which present information for the Library as a whole, and fund financial statements, which present information for individual major funds rather than by fund type.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

The Library also implemented GASB Statement No. 37, which clarifies certain provisions of Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds, and GASB Statement No. 38, which modifies, establishes and rescinds certain financial statement note disclosures.

For fiscal years 2005 and 2004, the Library has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosure”. GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the Library’s financial statements for fiscal years 2005 or 2004.

The transition from the regulatory basis of accounting to the modified cash basis of accounting generated the following changes to fund balances as previously reported at December 31, 2003.

	General	Trust Fund - Special	Capital	NonMajor	Total
Fund Balance, December 31, 2003	\$4,426,496	\$792,928	\$2,969,641	\$344,844	\$8,533,909
Fund Reclassification	0	0	0	53,040	53,040
Adjusted Fund Balance, December 31, 2003	<u>\$4,426,496</u>	<u>\$792,928</u>	<u>\$2,969,641</u>	<u>\$397,884</u>	<u>\$8,586,949</u>

Note 4 – 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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$4,467,321 at December 31, 2005 and \$2,155,578 at December 31, 2004 for the general fund.

Note 5 – Grants-In-Aid

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF is 5.7% of the State personal income tax. It is currently frozen at 2001 fiscal level. The LLGSF is allocated to each county based on the county’s prior year LLGSF revenues and population. The County Budget Commission allocates these funds to the Library based on its needs such as construction of new library buildings, improvements, operation, maintenance or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 - 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 (NOW) accounts, 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 percent 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;
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.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At the end of 2005, \$2,115,326 of the Library's bank balance of \$2,297,327 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name. At the end of 2004, \$211,754 of the Library's bank balance of \$279,647 was exposed to custodial credit risk.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. 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 one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Library had the following investments:

<u>Investment Type</u>	Fair Value	<u>Investment Maturities (in Years)</u>	
		Less than 1	1-2
Federal Home Loan Bank Notes	\$4,407,062	\$988,333	\$3,418,729
Federal National Mortgage Association Notes	1,962,295	0	1,962,295
Victory Federal Money Market Mutual Fund	1,942,989	1,942,989	0
STAROhio	6,389,105	6,389,105	0
 Total Investments	 <u>\$14,701,451</u>	 <u>\$9,320,427</u>	 <u>\$5,381,024</u>

As of December 31, 2004, the Library had the following investments:

<u>Investment Type</u>	Fair Value	<u>Investment Maturities (in Years)</u>	
		Less than 1	1-2
Federal Home Loan Bank Notes	\$2,988,333	\$0	\$2,988,333
Federal National Mortgage Association Notes	980,360	0	980,360
Victory Federal Money Market Mutual Fund	458,170	458,170	0
STAROhio	2,460,662	2,460,662	0
 Total Investments	 <u>\$6,887,525</u>	 <u>\$2,918,832</u>	 <u>\$3,968,693</u>

All investments are in an internal investment pool.

Interest Rate Risk. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

Credit Risk. The Federal Home Loan Bank Notes carry a rating of AAA by Standard and Poor's. The Federal National Mortgage Association Notes carry a rating of AAA by Fitch. STAROhio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

beyond the requirements in state statutes. 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.

Custodial Credit Risk. 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 and the Federal Home Loan Mortgage Corporation 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.”

Concentration of Credit Risk. The Library places no limit on the amount it may invest in any one issuer. The following is the Library’s allocation as of December 31, 2005 and 2004:

Investment Issuer	Percentage of Investments		
	2005	2004	
Federal Home Loan Bank Notes	30.00	43.40	%
Federal National Mortgage Association Notes	3.30	14.20	
Victory Federal Money Market Mutual Fund	13.20	6.70	
StarOhio	43.50	35.70	

Note 7 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in Cuyahoga County. Property tax receipt received during fiscal year for real and public utility property taxes represents collections of the prior years taxes. Property tax payments received during fiscal year for tangible personal property (other than public utility property) are for current year taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Current year public utility property taxes became a lien December 31, are levied after October 1, and are collected in the following fiscal year with real property taxes.

Current year tangible personal property taxes are levied after October 1, of the prior year, on the value as of December 31, of the prior year. Collections are made in the current year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent in 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2005 and 2004, was \$2.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	2005	2004
Real Property	\$16,789,633,610	\$16,604,658,870
Tangible Personal Property	1,480,738,249	1,479,326,353
Public Utility	417,851,570	456,367,210
Total Valuation	\$18,688,223,429	\$18,540,352,433

Note 8 - 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 2005 and 2004, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Deductible	Coverage
Cincinnati Insurance Company	General Liability	N/A	\$2,000,000
	Automobile Liability	N/A	1,000,000
	Uninsured/Underinsured Motorist	N/A	1,000,000
	Electronic Data Processing	2,500	4,585,000
	Contractors Equipment	2,500	49,743
	Flood and Earthquake	50,000	10,000,000
	Buildings and Personal Property	5,000	134,218,000
	Umbrella Liability	N/A	20,000,000
National Union Fire Insurance	Public Official Liability	N/A	1,000,000
Cincinnati Insurance Company	Professional Liability	2,500	1,000,000

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 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.

The Library provides health insurance to employees through a private carrier. Dental coverage is also provided. The Library's liability for health care is limited to the premiums paid.

Note 9 - 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

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

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 E. Town St., Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. 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, 2005, 2004, and 2003 were \$3,716,345, \$3,627,207, and \$4,111,118 respectively; the full amount has been contributed for 2005, 2004, and 2003. Contributions to the member-directed plan for 2005 were \$35,573 made by the Library and \$22,315 made by the plan members. Contributions to the member-directed plan for 2004 were \$27,313 made by the Library and \$17,134 made by the plan members.

Note 10 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

Cuyahoga County Public Library
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 11 – Interfund Transfers

The general fund transferred \$3,286,000 to the capital fund for the purchase and maintenance of various items throughout the Library.

Note 12 – Construction and Contractual Commitments

At December 31, 2005, the Library had one significant outstanding contract for HVAC repairs in the amount of \$396,590.

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
INSTITUTE OF MUSEUM & LIBRARY SERVICES			
<i>Passed Through State Library of Ohio</i>			
24-7 Virtual Reference Resource Sharing	N/A	45.310	\$915,565
Total Institute of Museum & Library Services			<u>915,565</u>
TOTAL FEDERAL ASSISTANCE			<u><u>915,565</u></u>

The accompanying notes are an integral part of this schedule.

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable.

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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*

Cuyahoga County Public Library
Cuyahoga County
2111 Snow Road
Parma, Ohio 44134

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 Cuyahoga County Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 31, 2007, wherein we noted the Library revised its financial statement presentation comparable to the requirements of Government Accounting Standards Board Statement 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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2005-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Library's management dated August 31, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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*. In a separate letter to the Library's management dated August 31, 2007, we reported an other matter related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

August 31, 2007



Mary Taylor, CPA

Auditor of State

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

Cuyahoga County Public Library
Cuyahoga County
2111 Snow Road
Parma, Ohio 44134

To the Board of Trustees:

Compliance

We have audited the compliance of the Cuyahoga County Public Library, Cuyahoga County, Ohio, (the Library) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the Library's major federal program. The Library's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Library's compliance based on our audit.

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

In our opinion, the Cuyahoga County Public Library complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The Library's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Library's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

August 31, 2007

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	LSTA Grant, CFDA #45.310
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER	2005-001
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Payroll Account Bank Reconciliation

A necessary step in the internal controls over the payroll cycle and overall financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. The purpose of the bank reconciliation is to account for the differences between the balance appearing on the bank statements and the balance of cash according to the entity's records. For bank accounts, set up solely to process biweekly payroll transactions and withholding distributions, the reconciliation involves documenting the reconciling items between the bank balance and the Library's zero based book balance.

The Library had maintained a zero based payroll bank account, which had not been accurately and completely reconciled since April 2002. Seeing that the payroll account reconciliation had become cumbersome, the Library discontinued its use of the "old" payroll account and opened a "new" payroll account in September 2004. Prior to discontinuing the use of the "old" payroll account the Library processed one final payroll through the account utilizing its normal payroll processing procedures. However, because of the uncertainties with the reconciliation process, the Library could not be certain there was enough money transferred from the general bank account to the "old" payroll account to cover both payroll and the retirement check to the Ohio Public

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

FINDING NUMBER	2005-001
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Payroll Account Bank Reconciliation (Continued)

Employee Retirement System (OPERS.) Therefore, the OPERS check was eventually cut from the “new” payroll account. Due to the lack of complete, accurate and timely payroll bank reconciliations, the Library’s internal control structure had been weakened.

Although the Library opened a new account, bank reconciliations were not performed on the new payroll account for the period of September 2004 through July 2006. In August 2006, the Library began performing payroll account reconciliations for its new payroll account and retroactively performed reconciliations for each month-end for 2004 and 2005. All reconciliations on the new account have been completed through July 31, 2007. However, the reconciliations in 2004 and 2005 reflected the following on-going problems:

- The Library could not provide a detailed list of outstanding checks, at the end of any given month. The outstanding check total, at the end of each month, was derived through a calculation in which the previous outstanding check total was added to the amount of checks issued for the month less the total of the checks that cleared the bank for that month. This methodology does not take into consideration the possibility or potential for checks clearing twice (bank error) or unauthorized checks clearing the bank. It also does not account for VOIDED checks being reposted to the general account.
- The Library had processed an \$85,999 payment to the Ohio Public Employees Retirement System (OPERS), from the new payroll bank account. However, the monies needed to cover this expenditure were transferred from the general account to the old payroll account. The payment was not made from the old payroll account due to the lack of sufficient funds needed to cover the expenditure.
- The Library had failed to record expenditures for the bi-weekly OPERS pick-up, for the Executive Director, from June 2004 through December 2005. Further, the Library failed to include additional funds, for this OPERS pick-up, as part of the general bank account transfer to the new payroll bank account during the same time period.
- The majority of the bi-weekly payrolls, processed through the new payroll account, contained numerous errors which were reflected on the monthly reconciliations. Most of the errors noted were relatively small in dollar amount and netted to a total that was insignificant to the associated bi-weekly payroll. However, at the end of 2005 the Library identified and provided support for thirteen pages of accumulated errors which netted to \$10,791. At the end of 2004, two pages of accumulated errors were identified and supported and which netted to \$15,673.

The noted weaknesses continue to reflect the on-going loss of accountability over the payroll reconciliation process and due to the accounts payable from the general account to the payroll account of \$72,813, had overstated the general account.

CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505

FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

FINDING NUMBER	2005-001
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Payroll Account Bank Reconciliation

We recommend the Library perform complete, accurate and timely payroll bank account reconciliations, on a monthly basis. We recommend the Library generate and maintain an accurate list of outstanding checks. The Library should pursue and correct the bi-weekly payroll account errors. Failure to do so may account in the further reduction of the general account for failure to sufficiently fund the payroll account. Also, waiting three years to prioritize reconciling payroll accounts that handle in excess of \$28,000,000 of expenditures per year is not solid internal control.

We also recommend the Library exercise due professional care when performing month-end treasury reconciliations. This should include balancing to a zero difference between the payroll accounts and pursuing all unknown reconciling items.

Officials' Response: As of 12/31/06 the Library was able to provide a detailed listing of the outstanding checks for the payroll account. There was also a correcting entry made in 2006 to account for the OPERS payment from the new payroll account. And finally as of 12/31/06 there were a very small number of errors reflected on the monthly reconciliations and as of January of 2007 all of those errors had been corrected. The new payroll account is now reconciled and procedures have been put in place to insure the account remains reconciled.

3. FINDINGS FOR FEDERAL AWARDS

None.

**CUYAHOGA COUNTY PUBLIC LIBRARY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Payroll Account Bank Reconciliations not being performed on a timely basis.	No	Not corrected. Re-issued as 2005-001
2003-002	Endowment Fund Monies being held and invested by an entity that is not a financial institution and in potentially unallowable type(s) of instrument(s).	Yes	



Mary Taylor, CPA
Auditor of State

CUYAHOGA COUNTY PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 2, 2007**