



Dave Yost • Auditor of State



**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

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 Shaker Heights Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2010 and December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of December 31, 2010 and December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, 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.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 14, 2012

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2010*  
*Unaudited*

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2010, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2010 are as follows:

- 2010 disbursements are less than 2009 disbursements due to reductions in the materials budget, reductions in employee hours, not filling vacant employee positions and unpaid employee furloughs.
- The Library's 2010 real estate collections decreased compared to 2009 due to the decrease in residential property assessed values.

**Using the Basic Financial Statements**

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

**Report Components**

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

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 purpose. These statements present financial information by fund, presenting the major funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the governmental-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 the financial statements on a cash basis of accounting. This approach is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2010, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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



**Shaker Heights Public Library**  
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*Management's Discussion and Analysis*  
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**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 restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

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

**The School District as a Whole**

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,178,707	\$823,317	\$355,390
<b>Net Assets</b>			
Restricted for:			
Capital Outlay	\$0	\$18	(\$18)
Other Purposes	83,369	86,438	(3,069)
Unrestricted	1,095,338	736,861	358,477
Total Net Assets	\$1,178,707	\$823,317	\$355,390

**Shaker Heights Public Library**  
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Table 2 reflects the changes in net assets in 2010 compared to 2009 on a cash basis:

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

	Governmental Activities		
	2010	2009	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$174,301	\$177,307	(\$3,006)
Operating Grants and Contributions	55,197	21,360	33,837
<i>Total Program Receipts</i>	<u>229,498</u>	<u>198,667</u>	<u>30,831</u>
<b><i>General Receipts</i></b>			
Property Taxes	3,013,373	3,274,290	(260,917)
Grants and Entitlements Not Restricted to Specific Programs	1,876,170	2,004,083	(127,913)
Unrestricted Contributions and Donations	1,375	5,618	(4,243)
Interest	7,751	3,805	3,946
Miscellaneous	97,607	81,383	16,224
<i>Total General Receipts</i>	<u>4,996,276</u>	<u>5,369,179</u>	<u>(372,903)</u>
<i>Total Receipts</i>	<u>5,225,774</u>	<u>5,567,846</u>	<u>(342,072)</u>
<b>Disbursements:</b>			
Instruction:			
General Library Services	4,866,094	5,384,810	518,716
Capital Outlay	4,290	19,055	14,765
<i>Total Disbursements</i>	<u>4,870,384</u>	<u>5,403,865</u>	<u>533,481</u>
Excess of Receipts under Disbursements	355,390	163,981	191,409
Net Assets Beginning of Year	<u>823,317</u>	<u>659,336</u>	<u>163,981</u>
Net Assets End of Year	<u><u>\$1,178,707</u></u>	<u><u>\$823,317</u></u>	<u><u>\$355,390</u></u>

Property taxes and intergovernmental receipts in 2010 are 93.57 percent of total receipts. Property taxes decreased, primarily due to lower valuations. Earnings on investments increased during 2010, as additional funds were available for investment.

Disbursements for general library services represent the costs of running the library. These disbursements decreased in 2010 due to lower salary and wage expenditures.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next three columns of the Statement, entitled Program Cash Receipts, identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$4,866,094	(\$4,636,596)	\$5,384,810	(\$5,186,143)
Capital Outlay	4,290	(4,290)	19,055	(19,055)
<i>Total Disbursements</i>	<u>\$4,870,384</u>	<u>(\$4,640,886)</u>	<u>\$5,403,865</u>	<u>(\$5,205,198)</u>

**The Library's Funds**

Total governmental funds had receipts in 2010 of \$5,225,774, and disbursements of \$4,870,384. The fund balance of the general fund increased \$358,477 in 2010, primarily due to the extra pay period during 2009, which increased salary and benefit disbursements.

**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 calendar year 2010, the Library's general fund budget was stable. Final disbursements, transfers, and advances for 2010 were budgeted at \$5,123,541, while actual disbursements, transfers, and advances were \$4,872,503. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Shaker Heights Public Library**  
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**Debt Administration**

At December 31, 2010, the Library had no debt obligations.

**Current Issues**

After an 18 percent drop in receipts from the State's Public Library Fund in 2009, the Library lost another 6 percent in 2010 for a total reduction of \$414,477 over two years. These numbers were magnified by the Library's first ever decline in local property tax revenues, due to the Cuyahoga County's triennial revaluations and the nationwide drop in home values. This 8 percent slide added another \$263,606 to the revenue loss for 2010. Overall, the Library's total revenue dropped 5.5 percent from 2009 to 2010 but reserve funds increased due to stringent fiscal measures implemented by the Board of Trustees and Administration.

One area of concern continues to be the containment of health care costs. The Library has worked hard to control increases in this area by seeking competitive proposals and by using a Health Reimbursement Account plan with higher deductibles. This has allowed the Library to maintain high levels of coverage for employees at the lowest cost possible.

**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 David Piskac, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,178,707</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$83,369
Unrestricted	<u>1,095,338</u>
<i>Total Net Assets</i>	<u>\$1,178,707</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2010*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$4,866,094	\$174,301	\$55,197	(\$4,636,596)
Capital Outlay	4,290	0	0	(4,290)
<i>Total Governmental Activities</i>	<u>\$4,870,384</u>	<u>\$174,301</u>	<u>\$55,197</u>	<u>(4,640,886)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for General Purposes		3,013,373
		Grants and Entitlements not Restricted to Specific Programs		1,876,170
		Unrestricted Contributions and Donations		1,375
		Interest		7,751
		Miscellaneous		97,607
		<i>Total General Receipts</i>		<u>4,996,276</u>
		Change in Net Assets		355,390
		<i>Net Assets Beginning of Year</i>		<u>823,317</u>
		<i>Net Assets End of Year</i>		<u>\$1,178,707</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2010*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$1,095,338</u>	<u>\$83,369</u>	<u>\$1,178,707</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$55,526	\$5,418	\$60,944
Unreserved:			
Undesignated Reported in:			
General Fund	1,039,812	0	1,039,812
Special Revenue Funds	<u>0</u>	<u>77,951</u>	<u>77,951</u>
<i>Total Fund Balances</i>	<u>\$1,095,338</u>	<u>\$83,369</u>	<u>\$1,178,707</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2010*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$3,013,373	\$0	\$3,013,373
Intergovernmental	1,876,170	31,538	1,907,708
Patron Fines and Fees	174,301	0	174,301
Contributions and Donations	50	24,984	25,034
Earnings on Investments	7,527	224	7,751
Miscellaneous	94,033	3,574	97,607
<i>Total Receipts</i>	<u>5,165,454</u>	<u>60,320</u>	<u>5,225,774</u>
<b>Disbursements</b>			
Current:			
General Library Services	4,630,363	235,731	4,866,094
Capital Outlay	4,290	0	4,290
<i>Total Disbursements</i>	<u>4,634,653</u>	<u>235,731</u>	<u>4,870,384</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>530,801</u>	<u>(175,411)</u>	<u>355,390</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	162,324	162,324
Transfers Out	(162,324)	0	(162,324)
Advances In	10,000	20,000	30,000
Advances Out	(20,000)	(10,000)	(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(172,324)</u>	<u>172,324</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	358,477	(3,087)	355,390
<i>Fund Balances Beginning of Year</i>	<u>736,861</u>	<u>86,456</u>	<u>823,317</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,095,338</u></u>	<u><u>\$83,369</u></u>	<u><u>\$1,178,707</u></u>

See accompanying notes to the basic financial statements



**Shaker Heights 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, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$2,859,429	\$3,084,359	\$3,013,373	(\$70,986)
Intergovernmental	1,859,764	1,883,735	1,876,170	(7,565)
Patron Fines and Fees	168,229	177,101	174,301	(2,800)
Contributions and Donations	48	51	50	(1)
Earnings on Investments	7,265	7,648	7,527	(121)
Miscellaneous	90,756	95,544	94,033	(1,511)
<i>Total Receipts</i>	<u>4,985,491</u>	<u>5,248,438</u>	<u>5,165,454</u>	<u>(82,984)</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,018,840	4,936,927	4,685,889	251,038
Capital Outlay	4,500	4,290	4,290	0
<i>Total Disbursements</i>	<u>5,023,340</u>	<u>4,941,217</u>	<u>4,690,179</u>	<u>251,038</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,849)</u>	<u>307,221</u>	<u>475,275</u>	<u>168,054</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(167,600)	(162,324)	(162,324)	0
Advances In	10,000	10,000	10,000	0
Advances Out	0	(20,000)	(20,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(157,600)</u>	<u>(172,324)</u>	<u>(172,324)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(195,449)	134,897	302,951	168,054
<i>Fund Balance Beginning of Year</i>	653,877	653,877	653,877	0
Prior Year Encumbrances Appropriated	82,984	82,984	82,984	0
<i>Fund Balance End of Year</i>	<u>\$541,412</u>	<u>\$871,758</u>	<u>\$1,039,812</u>	<u>\$168,054</u>

See accompanying notes to the basic financial statements

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**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010*

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**Note 1 – Description of the Library and Reporting Entity**

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, 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 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Shaker Heights City School District.

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

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

The Friends of the Shaker Heights Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

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

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

***Fund Accounting***

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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

***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."

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

During 2010, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State of Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2010 amounted to \$7,527, none of which was allocated from other Library funds.

***Inventory and Prepaids***

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

***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.

***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 cash basis of accounting.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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***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 8 and 9, the employer contributions include portions for pension benefits.

***Long-Term Obligations***

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

***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 art, literature and the Library's branch location.

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.

***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.

***Estimates***

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2010 (budgetary basis), amounted to \$55,526.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Note 4 – Deposits and Investments**

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

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



**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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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.

***Investments***

As of December 31, 2010, the Library only had an investment of \$452,773 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 58.0 days.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy that addresses credit risk. STAR Ohio has a AAA rating from Standards & Poor's.

***Interest Rate Risk*** The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Shaker Heights City School District. Property tax receipts received in 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. 2010 is the last year for the collection of tangible personal property taxes from telephone companies; however, the Library received no tangible personal property tax revenue from telephone company property.

**Shaker Heights Public Library**  
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*Notes to the Basic Financial Statements*  
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The full tax rate for all Library operations for the year ended December 31, 2010, was \$4.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$861,787,630
Public Utility Property	11,018,560
Total Assessed Values	\$872,806,190

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**Note 6 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the Library contracted with Westfield Insurance Company for various types of insurance coverage as follows:

Type of Coverage	Amount of Coverage
Commercial Property	\$10,475,924
Valuable Papers/Library Materials	4,800,000
Automobile	6,000,000
Uninsured Motorists	1,000,000
Crime	10,000

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.

**Note 7 – Interfund Transfers**

During 2010, the general fund transferred money to the gates grant special revenue fund, community growing special revenue fund, and building capital projects fund in the amount of \$2,600, \$1,725, and \$157,999, respectively. The transfers were made to move unrestricted balances to support projects accounted for in another fund.

During 2010, the general fund advanced \$20,000 to the MYCOM fund. Also, the MYCOM fund repaid the \$10,000 outstanding advanced owed the general fund in 2010. These advances were made to resolve timing issues related to grant reimbursements.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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**Note 8 - Defined Benefit Pension Plan**

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Library's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Library's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$227,751, \$227,875 and \$256,408 respectively. The full amount has been contributed for 2010, 2009 and 2008. Contributions to the member-directed plan for 2010 were \$11,291 made by the Library and \$8,065 made by the plan members.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2010*

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**Note 9 - Postemployment Benefits**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2010*

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The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$129,823, \$164,793, and \$142,449 respectively; 100 percent has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2009*  
*Unaudited*

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The management's discussion and analysis of the Shaker Heights Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2009 are as follows:

- Despite State budget cuts, the Library has maintained and developed an excellent collection of materials, continued to achieve record levels of circulation, and maintained the Library's status as a net lender among the members of the CLEVNET consortium.
- The Library's receipts increased compared to 2008 due to increases from customer services and property taxes.
- The Library's disbursements increased slightly compared to 2008 due to increases of total salaries and leave benefits.
- The Shaker Heights Public Library employees achieved national recognition as both a 5-Star library by *Library Journal* and a Top 10 ranked library by *Hennen's American Public Library Ratings*.

**Using the Basic Financial Statements**

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

**Report Components**

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

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 purpose. These statements present financial information by fund, presenting the major funds with the largest balances or most activity in separate columns.

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

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2009, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

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



**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
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**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 restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

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

**The School District as a Whole**

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities		
	2009	2008	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$823,317	\$659,336	\$163,981
<b>Net Assets</b>			
Restricted for:			
Capital Outlay	\$18	\$6,595	(\$6,577)
Other Purposes	86,438	89,621	(3,183)
Unrestricted	736,861	563,120	173,741
Total Net Assets	\$823,317	\$659,336	\$163,981

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Table 2 reflects the changes in net assets in 2009 compared to 2008 on a cash basis:

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

	Governmental Activities		
	2009	2008	Change
<b>Receipts:</b>			
<b><i>Program Receipts</i></b>			
Charges for Services and Sales	\$177,307	\$132,084	\$45,223
Operating Grants and Contributions	21,360	7,391	13,969
<i>Total Program Receipts</i>	<u>198,667</u>	<u>139,475</u>	<u>59,192</u>
<b><i>General Receipts</i></b>			
Property Taxes	3,274,290	2,756,097	518,193
Grants and Entitlements Not Restricted to Specific Programs	2,004,083	2,227,131	(223,048)
Unrestricted Contributions and Donations	5,618	4,080	1,538
Interest	3,805	27,619	(23,814)
Miscellaneous	81,383	135,042	(53,659)
<i>Total General Receipts</i>	<u>5,369,179</u>	<u>5,149,969</u>	<u>219,210</u>
<i>Total Receipts</i>	<u>5,567,846</u>	<u>5,289,444</u>	<u>278,402</u>
<b>Disbursements:</b>			
General Library Services	5,384,810	5,380,908	(3,902)
Capital Outlay	19,055	53,586	34,531
<i>Total Disbursements</i>	<u>5,403,865</u>	<u>5,434,494</u>	<u>30,629</u>
Excess of Receipts under Disbursements	163,981	(145,050)	309,031
Net Assets, Beginning of Year	<u>659,336</u>	<u>804,386</u>	<u>(145,050)</u>
Net Assets, End of Year	<u>\$823,317</u>	<u>\$659,336</u>	<u>\$163,981</u>

Property taxes and intergovernmental receipts in 2009 are 94.80 percent of total receipts. Earnings on investments decreased during 2009, due to declining interest rates.

Disbursements for general library services represent the costs of running the library. These disbursements decreased in 2009 due to budgets cuts affecting supplies, purchased services, and books and materials.

**Shaker Heights Public Library**  
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*Unaudited*

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next three columns of the Statement, entitled Program Cash Receipts, identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The Net (Disbursement) column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Disbursements:</b>				
General Library Services	\$5,384,810	(\$5,186,143)	\$5,380,908	(\$5,241,433)
Capital Outlay	19,055	(19,055)	53,586	(53,586)
<i>Total Disbursements</i>	<u>\$5,403,865</u>	<u>(\$5,205,198)</u>	<u>\$5,434,494</u>	<u>(\$5,295,019)</u>

**The Library's Funds**

Total governmental funds had receipts in 2009 of \$5,567,846, and disbursements of \$5,403,865. The fund balance of the general fund increased \$173,741 in 2009, primarily due to increased customer services and less capital outlay expenses.

**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 calendar year 2009, the Library's general fund budget was stable. Final disbursements, transfers, and advances for 2009 were budgeted at \$5,682,923, while actual disbursements, transfers, and advances were \$5,447,202. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Management's Discussion and Analysis*  
*For the Year December 31, 2009*  
*Unaudited*

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**Debt Administration**

At December 31, 2009, the Library had no debt obligations.

**Current Issues**

The Library relies heavily on local taxes and Public Library Fund (PLF) funding. During 2009, the Library's PLF funding was reduced by \$323,948 (18 percent) partially due to a decline in the State's economy and, beginning in August 2009, due to a reduction in the PLF allotment of the State general revenue from 2.22 percent to 1.97 percent. Also during this time, the Board of Trustees and Administration took immediate action to reduce expenditures through a variety of budgetary measures.

The Board of Trustees and Administration work extremely hard at containing health care costs by securing updated competitive proposals from various health care providers. While the cost increases for medical insurance are unavoidable in today's environment, the Library is working diligently to maintain a high level of coverage for its employees at the lowest cost possible.

**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 David Piskac, Fiscal Officer, Shaker Heights Public Library, 16500 Van Aken Boulevard, Shaker Heights, Ohio 44120.

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$823,317</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$18
Other Purposes	86,438
Unrestricted	<u>736,861</u>
<i>Total Net Assets</i>	<u>\$823,317</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2009*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Library Services	\$5,384,810	\$177,307	\$21,360	(\$5,186,143)
Capital Outlay	19,055	0	0	(19,055)
<i>Total Governmental Activities</i>	<u>\$5,403,865</u>	<u>\$177,307</u>	<u>\$21,360</u>	<u>(5,205,198)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for General Purposes		3,274,290
		Grants and Entitlements not Restricted to Specific Programs		2,004,083
		Unrestricted Contributions and Donations		5,618
		Interest		3,805
		Miscellaneous		81,383
		<i>Total General Receipts</i>		<u>5,369,179</u>
		Change in Net Assets		163,981
		<i>Net Assets Beginning of Year</i>		<u>659,336</u>
		<i>Net Assets End of Year</i>		<u>\$823,317</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$736,861</u>	<u>\$86,456</u>	<u>\$823,317</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$82,984	\$14,670	\$97,654
Unreserved:			
Undesignated Reported in:			
General Fund	653,877	0	653,877
Special Revenue Funds	0	71,768	71,768
Capital Projects Funds	<u>0</u>	<u>18</u>	<u>18</u>
<i>Total Fund Balances</i>	<u>\$736,861</u>	<u>\$86,456</u>	<u>\$823,317</u>

See accompanying notes to the basic financial statements

**Shaker Heights Public Library**  
**Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$3,274,290	\$0	\$3,274,290
Intergovernmental	2,004,083	0	2,004,083
Patron Fines and Fees	141,381	0	141,381
Rentals	35,926	0	35,926
Contributions and Donations	2,715	24,263	26,978
Earnings on Investments	3,281	524	3,805
Miscellaneous	76,283	5,100	81,383
<i>Total Receipts</i>	<u>5,537,959</u>	<u>29,887</u>	<u>5,567,846</u>
<b>Disbursements</b>			
Current:			
General Library Services	5,181,096	203,714	5,384,810
Capital Outlay	15,327	3,728	19,055
<i>Total Disbursements</i>	<u>5,196,423</u>	<u>207,442</u>	<u>5,403,865</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>341,536</u>	<u>(177,555)</u>	<u>163,981</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	157,795	157,795
Transfers Out	(157,795)	0	(157,795)
Advances In	0	10,000	10,000
Advances Out	(10,000)	0	(10,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(167,795)</u>	<u>167,795</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	173,741	(9,760)	163,981
<i>Fund Balances Beginning of Year</i>	<u>563,120</u>	<u>96,216</u>	<u>659,336</u>
<i>Fund Balances End of Year</i>	<u><u>\$736,861</u></u>	<u><u>\$86,456</u></u>	<u><u>\$823,317</u></u>

See accompanying notes to the basic financial statements



**Shaker Heights 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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$3,321,471	\$3,147,579	\$3,274,290	\$126,711
Intergovernmental	2,009,110	1,990,581	2,004,083	13,502
Patron Fines and Fees	142,779	137,625	141,381	3,756
Rentals	36,281	34,972	35,926	954
Contributions and Donations	2,742	2,642	2,715	73
Earnings on Investments	3,314	3,194	3,281	87
Miscellaneous	77,038	74,257	76,283	2,026
<i>Total Receipts</i>	<u>5,592,735</u>	<u>5,390,850</u>	<u>5,537,959</u>	<u>147,109</u>
<b>Disbursements</b>				
Current:				
General Library Services	5,782,837	5,499,801	5,264,080	235,721
Capital Outlay	153,018	15,327	15,327	0
<i>Total Disbursements</i>	<u>5,935,855</u>	<u>5,515,128</u>	<u>5,279,407</u>	<u>235,721</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(343,120)</u>	<u>(124,278)</u>	<u>258,552</u>	<u>382,830</u>
<b>Other Financing Uses</b>				
Transfers Out	(170,000)	(157,795)	(157,795)	0
Advances Out	0	(10,000)	(10,000)	0
<i>Total Other Financing Uses</i>	<u>(170,000)</u>	<u>(167,795)</u>	<u>(167,795)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(513,120)	(292,073)	90,757	382,830
<i>Fund Balance Beginning of Year</i>	365,785	365,785	365,785	0
Prior Year Encumbrances Appropriated	197,335	197,335	197,335	0
<i>Fund Balance End of Year</i>	<u>\$50,000</u>	<u>\$271,047</u>	<u>\$653,877</u>	<u>\$382,830</u>

See accompanying notes to the basic financial statements

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

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**Note 1 – Description of the Library and Reporting Entity**

The Shaker Heights Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1937 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Shaker Heights City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, 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 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Shaker Heights City School District.

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

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

The Friends of the Shaker Heights Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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

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**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore no business-type activities are presented.

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

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

***Fund Accounting***

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

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

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

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

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2009*

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

***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."

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2009 amounted to \$3,281, none of which was allocated from other Library funds.

***Inventory and Prepaids***

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

***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.

***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 cash basis of accounting.

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

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***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 8 and 9, the employer contributions include portions for pension benefits.

***Long-Term Obligations***

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

***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 art, literature and the Library's branch location.

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.

***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.

***Estimates***

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

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2009 (budgetary basis), amounted to \$82,984.

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

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**Note 4 – Deposits and Investments**

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

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



**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2009*

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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.

***Investments***

As of December 31, 2009, the Library only had an investment of \$398,927 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 61.2 days.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy that addresses credit risk. STAR Ohio has a AAA rating from Standards & Poor's.

***Interest Rate Risk*** The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the expectation that it will be held to maturity.

**Note 5 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Shaker Heights City School District. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

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

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

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

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

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

The full tax rate for all Library operations for the year ended December 31, 2009, was \$4.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 property tax receipts were based are as follows:

Real Property	\$925,941,780
Public Utility Property	10,337,780
Tangible Personal Property	2,081,828
Total Assessed Values	\$938,361,388

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**Note 6 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the Library contracted with Ohio Plan Risk Management, Incorporated for various types of insurance coverage as follows:

Type of Coverage	Amount of Coverage
Commercial Property	\$10,155,800
Valuable Papers/Library Materials	4,800,000
Automobile	6,000,000
Uninsured Motorists	1,000,000
Crime	10,000

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.

**Note 7 – Interfund Transactions**

***Interfund Transfers***

During 2009, the general fund transferred \$157,795 to the building capital projects fund. The transfer was made to move unrestricted balances to support projects accounted for in another fund.

***Interfund Balances***

During 2009, the general fund advanced \$10,000 to the MyCom Grant special revenue fund. Interfund receivables and payables are due to the timing of the receipt of grant monies and fees received by the various funds. The general fund advanced monies to that fund to cover costs. The advance is expected to be repaid within one year.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2009*

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**Note 8 - Defined Benefit Pension Plan**

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

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The Library's 2009 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the Library's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the Library's contribution equal to 7 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$227,875, \$256,408 and \$255,662 respectively. The full amount has been contributed for 2009, 2008 and 2007. Contributions to the member-directed plan for 2009 were \$13,725 made by the Library and \$9,804 made by the plan members.

**Note 9 - Postemployment Benefits**

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**Shaker Heights Public Library**

**Cuyahoga County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2009*

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State Statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

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

The Library’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$164,793, \$142,449, and \$144,442 respectively; 100 percent has been contributed for 2009, 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.



# Dave Yost • Auditor of State

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

Shaker Heights Public Library  
Cuyahoga County  
16500 Van Aken Boulevard  
Shaker Heights, Ohio 44120

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 Shaker Heights Public Library, Cuyahoga County, (the Library) as of and for the years ended December 31, 2010 and December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 14, 2012, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

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### **Compliance and Other Matters**

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

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

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

**Dave Yost**  
Auditor of State

March 14, 2012

**SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2010-01</b>
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**Material Weakness**

Sound financial reporting is the responsibility of management and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Financial reports and revenue and expense ledgers should be reviewed to ensure they accurately reflect the financial activity of the Library.

A review of Other Governmental Funds - Miscellaneous receipts disclosed monies from governmental agencies and contributions and donations from the Friends of Shaker Heights Public Library were reported as Miscellaneous receipts instead of Intergovernmental receipts and Contributions and Donations receipts. As a result, the following reclassifications were made to the accompanying financial statements and the Library's accounting records:

For 2010 - Other Governmental Funds  
Reclassified \$24,984 from Miscellaneous receipts to Contributions and Donations receipts.  
Reclassified \$31,538 from Miscellaneous receipts to Intergovernmental receipts.

For 2009 - Other Governmental Funds  
Reclassified \$24,263 from Miscellaneous receipts to Contributions and Donations receipts.

We recommend the Library ensure monies from governmental agencies and contributions and donations are properly classified in the accounting system.

**Library's Response**

We've made the reclassifications to our accounting records and have reviewed the subsequent periods to ensure the monies have been properly classified.

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# Dave Yost • Auditor of State

SHAKER HEIGHTS 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  
MARCH 29, 2012