



**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

East Cleveland Public Library
Cuyahoga County
14101 Euclid Avenue
East Cleveland, Ohio 44112

To the Board of Trustees:

We have audited the accompanying financial statements of the East Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the East Cleveland Public Library, Cuyahoga County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 11, 2002

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EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	NonExpendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$654,247	\$0	\$0	\$0	\$654,247
Other Government Grants-In-Aid	1,839,215	0	0	0	1,839,215
Patron Fines and Fees	8,791	0	0	0	8,791
Earnings on Investments	38,512	0	40,639	191	79,342
Contributions, Gifts and Donations	115,649	2,725	1,054,475	0	1,172,849
Miscellaneous Receipts	28,162	0	0	0	28,162
Total Cash Receipts	2,684,576	2,725	1,095,114	191	3,782,606
Cash Disbursements:					
Current:					
Salaries and Benefits	1,704,628	0	0	0	1,704,628
Supplies	40,840	0	0	0	40,840
Purchased and Contracted Services	559,391	2,500	9,081	0	570,972
Library Materials and Information	356,814	0	0	0	356,814
Other Objects	11,842	0	0	0	11,842
Capital Outlay	0	0	255,498	0	255,498
Total Cash Disbursements	2,673,515	2,500	264,579	0	2,940,594
Total Cash Receipts Over/(Under) Cash Disbursements	11,061	225	830,535	191	842,012
Fund Cash Balances, January 1, 2001	111,276	0	1,157,951	4,651	1,273,878
Fund Cash Balances, December 31, 2001	\$122,337	\$225	\$1,988,486	\$4,842	\$2,115,890
Reserves for Encumbrances, December 31, 2001	\$20,567	\$0	\$38,000	\$0	\$58,567

The notes to the financial statements are an integral part of this statement.

EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>NonExpendable Trust</u>	
Cash Receipts:				
Property and Other Local Taxes	\$653,756	\$0	\$0	\$653,756
Other Government Grants-In-Aid	1,844,221	0	0	1,844,221
Patron Fines and Fees	10,804	0	0	10,804
Earnings on Investments	57,736	2,748	248	60,732
Contributions, Gifts and Donations	300	545,676	0	545,976
Miscellaneous Receipts	4,758	0	0	4,758
Total Cash Receipts	<u>2,571,575</u>	<u>548,424</u>	<u>248</u>	<u>3,120,247</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,582,295	0	0	1,582,295
Supplies	44,564	0	0	44,564
Purchased and Contracted Services	587,616	23,697	0	611,313
Library Materials and Information	373,946	0	0	373,946
Other Objects	13,453	0	0	13,453
Capital Outlay	0	5,790	0	5,790
Total Cash Disbursements	<u>2,601,874</u>	<u>29,487</u>	<u>0</u>	<u>2,631,361</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(30,299)</u>	<u>518,937</u>	<u>248</u>	<u>488,886</u>
Fund Cash Balances, January 1, 2000	<u>141,575</u>	<u>639,014</u>	<u>4,403</u>	<u>784,992</u>
Fund Cash Balances, December 31, 2000	<u>\$111,276</u>	<u>\$1,157,951</u>	<u>\$4,651</u>	<u>\$1,273,878</u>
Reserves for Encumbrances, December 31, 2000	<u>\$10,231</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,231</u>

The notes to the financial statements are an integral part of this statement.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The following entity performs activities within the Library's boundaries for the benefit of its residents is excluded from the accompanying financial statements because the Library is not financially accountable for this entity nor is it fiscally dependent on the Library.

The Friends of East Cleveland Public Library was organized to support the mission and goal the East Cleveland Public Library and to raise funds and to augment the activities of the Library. The Library exercised no financial control over this organization. The East Cleveland Public Library received \$1,190 during the fiscal period January 1 through December 31, 2001 and \$200 during the fiscal period January 1, 2000 through December 31, 2000. The total cash assets (unaudited) of the Friends of East Cleveland Library, at December 31, 2001 was \$790. Financial statements can be obtained from Carolyn Hill.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. The Putnam Mutual Fund is recorded at share values reported by the mutual fund.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Flewellen Fund - This fund is used to account for the preservation and public display of the Icabod Flewellen collection.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Projects Fund:

Building and Repair Fund - This fund is used to account for the acquisition and construction of capital facilities.

Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant NonExendable Trust Fund:

Putnam Fund - This mutual fund was donated to the Library and is to be used for hospitality supplies.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

Appropriations

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated in the subsequent year.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>2001</u>	<u>2000</u>
Demand deposits	<u>\$23,904</u>	<u>(\$17,753)</u>
Total deposits	<u>23,904</u>	<u>(17,753)</u>
Putnam Mutual Fund	3,532	3,532
Victory Money Market	270,098	0
STAR Ohio	<u>1,818,356</u>	<u>1,288,099</u>
Total investments	<u>2,091,986</u>	<u>1,291,631</u>
Total deposits and investments	<u><u>\$2,115,890</u></u>	<u><u>\$1,273,878</u></u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(CONTINUED)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: The Putnam Mutual Fund was donated to the Library. Investments in mutual funds, money markets and STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 as follows:

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,737,561	\$2,694,082	\$43,479
Special Revenue	2,500	2,500	0
Capital Projects	1,217,951	302,579	915,372
NonExendable Trust	322	0	322
Total	\$3,958,334	\$2,999,161	\$959,173

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,543,795	\$2,571,575	\$27,780
Capital Projects	475,000	548,424	73,424
NonExendable Trust	322	248	(74)
Total	\$3,019,117	\$3,120,247	\$101,130

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,661,098	\$2,612,105	\$48,993
Capital Projects	639,014	29,487	609,527
NonExendable Trust	322	0	322
Total	\$3,300,434	\$2,641,592	\$658,842

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(CONTINUED)**

4. GRANTS-IN-AID AND TAX RECEIPT

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library. These revenues are reflected in the accompanying financial statements as Other Government Grants-In-Aid.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants-In- Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Library contributed has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Property and Commercial General Liability
- Vehicles
- Errors and omissions
- Inland Marine

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

East Cleveland Public Library
Cuyahoga County
14101 Euclid Avenue
East Cleveland, Ohio 44112

To the Board of Trustees:

We have audited the accompanying financial statements of the East Cleveland Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated June 11, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated June 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-00818-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 11, 2002.

This report is intended for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

June 11, 2002

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2001-00818-001
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Cash balances include cash in bank accounts and other imprest accounts such as payroll. Cash is an asset that is very susceptible to embezzlement and is considered a high risk asset because of its liquidity and its desirability. In order for the cash to be properly monitored and accounted for, most entities perform a monthly bank reconciliation. This reconciliation verifies the cash balance per the general ledger agrees to the adjusted balance per the bank statement.

A review of the cash cycle disclosed the monthly bank accounts were not reconciled to the general ledger during 2001 and 2000. In addition, a treasury reconciliation of all cash, investments and fund balances was not performed. Consequently, several errors occurred which were not detected. In 2000, the significant adjustments included two wire transfers to the Library's payroll clearing account, totaling \$30,932, which were not posted to the general ledger. In 2001, the annual report omitted the Victory Money Market Fund account for \$270,098 and the payroll clearing account was over funded by \$35,248. The financial statements reflect the correcting adjustments.

We recommend that monthly reconciliations between the adjusted bank accounts and the treasury be performed. In order to ensure the performance of the reconciliations, we also recommend that either the Director or a Board member review and initial/date the reconciliations.

**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2001**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected	Not corrected, partially corrected, different corrective action taken; finding no longer valid; Explain
1999-00818-001	Ohio Rev. Code §117.38, failure to file an annual report with the Auditor of State for 1999 and 1998.	Yes	
1999-00818-002	East Cleveland, <u>Codified Ordinances</u> , Section 191.1302 (1998), failure to remit income taxes on a regular basis.	Yes	
1999-00818-003	Bank accounts were not reconciled during 1999 and 1998.	No	Bank to book reconciliation not performed in 2001 and 2000.



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EAST CLEVELAND PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2002**