



**EAST CLEVELAND PUBLIC LIBRARY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EAST CLEVELAND PUBLIC LIBRARY
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
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, 1999	3
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, 1998	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 1999 and December 31, 1998. 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 generally accepted auditing standards 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, as of December 31, 1999 and December 31, 1998, 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 May 12, 2000 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.

This report is intended solely for the information and use of the management and 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

May 12, 2000

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**EAST CLEVELAND PUBLIC LIBRARY
 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, 1999**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property and Other Local Taxes	\$607,653	\$0	\$0	\$607,653
Other Government Grants-In-Aid	1,791,630	0	0	1,791,630
Patron Fines and Fees	12,077	0	0	12,077
Earnings on Investments	37,685	0	256	37,941
Contributions, Gifts and Donations	47,730	0	0	47,730
Miscellaneous Receipts	10,772	0	0	10,772
	<u>2,507,547</u>	<u>0</u>	<u>256</u>	<u>2,507,803</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,431,269	0	0	1,431,269
Supplies	44,891	0	0	44,891
Purchased & Contracted Services	476,317	0	0	476,317
Library Materials & Information	281,643	0	0	281,643
Other Objects	30,661	0	0	30,661
Capital Outlay	15,101	0	0	15,101
	<u>2,279,882</u>	<u>0</u>	<u>0</u>	<u>2,279,882</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>227,665</u>	<u>0</u>	<u>256</u>	<u>227,921</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	200,000	0	200,000
Transfers-Out	(200,000)	0	0	(200,000)
	<u>(200,000)</u>	<u>200,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	27,665	200,000	256	227,921
Fund Cash Balances, January 1	113,910	439,014	4,147	557,071
Fund Cash Balances, December 31	<u>\$141,575</u>	<u>\$639,014</u>	<u>\$4,403</u>	<u>\$784,992</u>
Reserves for Encumbrances, December 31	<u>\$24,272</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,272</u>

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

**EAST CLEVELAND PUBLIC LIBRARY
 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, 1998**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property and Other Local Taxes	\$596,496	\$0	\$0	\$596,496
Other Government Grants-In-Aid	1,721,310	0	0	1,721,310
Patron Fines and Fees	13,310	0	0	13,310
Earnings on Investments	31,227	0	205	31,432
Contributions, Gifts and Donations	15,057	0	0	15,057
Miscellaneous Receipts	23,133	0	0	23,133
Total Cash Receipts	<u>2,400,533</u>	<u>0</u>	<u>205</u>	<u>2,400,738</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,386,654	0	0	1,386,654
Supplies	50,906	0	0	50,906
Purchased & Contracted Services	407,150	0	0	407,150
Library Materials & Information	306,089	0	0	306,089
Other Objects	25,460	0	0	25,460
Capital Outlay	32,439	25,629	0	58,068
Total Cash Disbursements	<u>2,208,698</u>	<u>25,629</u>	<u>0</u>	<u>2,234,327</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>191,835</u>	<u>(25,629)</u>	<u>205</u>	<u>166,411</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	350,000	0	350,000
Transfers-Out	<u>(350,000)</u>	<u>0</u>	<u>0</u>	<u>(350,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(350,000)</u>	<u>350,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(158,165)</u>	<u>324,371</u>	<u>205</u>	<u>166,411</u>
Fund Cash Balances, January 1	<u>272,075</u>	<u>114,643</u>	<u>3,942</u>	<u>390,660</u>
Fund Cash Balances, December 31	<u>\$113,910</u>	<u>\$439,014</u>	<u>\$4,147</u>	<u>\$557,071</u>
Reserves for Encumbrances, December 31	<u>\$7,830</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,830</u>

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

**EAST CLEVELAND PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of their debt or the levying of their taxes. The Library has no component units.

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 of 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 \$550 during the fiscal period January 1 through December 31, 1999 and \$400 during the fiscal period January 1, 1998 through December 31, 1998. The total cash assets (unaudited) of the Friends of East Cleveland Library, at December 31, 1999 was \$941. Financial statements can be obtained from Jessie Billingsley.

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

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.

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:

**EAST CLEVELAND PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. 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.

2. 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.

3. 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 Expendable 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.

1. Appropriations

The Board of Trustees must annually approve appropriation measures and subsequent amendments for each fund. The Library sends a copy of the appropriation measure and subsequent amendments to the County Budget Commission. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. 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.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**EAST CLEVELAND PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>1999</u>	<u>1998</u>
Demand deposits	\$46,111	\$68,112
Total deposits	<u>46,111</u>	<u>68,112</u>
Putnam Mutual Fund	3,532	3,836
STAR Ohio	<u>735,349</u>	<u>485,123</u>
Total investments	<u>738,881</u>	<u>488,959</u>
Total deposits and investments	<u><u>\$784,992</u></u>	<u><u>\$557,071</u></u>

The Putnam Mutual Fund was donated to the Library.

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,390,257	\$2,507,547	\$117,290
Capital Projects	0	200,000	200,000
Expendable Trust	<u>322</u>	<u>256</u>	<u>(66)</u>
Total	<u><u>\$2,390,579</u></u>	<u><u>\$2,707,803</u></u>	<u><u>\$317,224</u></u>

**EAST CLEVELAND PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,615,018	\$2,504,154	\$110,864
Capital Projects	105,000	0	105,000
Total	\$2,720,018	\$2,504,154	\$215,864

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,395,424	\$2,400,533	\$5,109
Capital Projects	0	350,000	350,000
Expendable Trust	322	205	(117)
Total	\$2,395,746	\$2,750,738	\$354,992

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,654,066	\$2,566,528	\$87,538
Capital Projects	29,000	25,629	3,371
Total	\$2,683,066	\$2,592,157	\$90,909

4. GRANTS-IN-AID AND TAX RECEIPTS

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.

**EAST CLEVELAND PUBLIC LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

Public utilities are 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 with 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 employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also 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. The Library has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- S Property and Commercial General Liability
- S Vehicles
- S Errors and omissions
- S 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**

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

We have audited the financial statements of the East Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated May 12, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-00818-001 and 1999-00818-002.

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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 1999-00818-003.

**Internal Control Over Financial Reporting
(Continued)**

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 12, 2000.

This report is intended for the information and use of 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

May 12, 2000

**EAST CLEVELAND PUBLIC LIBRARY
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-00818-001

Noncompliance Citations

Ohio Rev. Code Section 117.38, requires cash basis entities to file an annual report with the Auditor of State within sixty days of fiscal year end. The report must be filed on forms prescribed by the Auditor of State. The Library did not prepare nor file the required report for fiscal years 1999 and 1998.

We recommend the Library prepare and file their cash basis annual report with the Auditor of State within sixty days of year end. In January 2000, the Library entered into a service agreement with the Uniform Accounting Network (UAN) for the preparation of their financial statements. This will allow the Library to file their annual report electronically.

FINDING NUMBER 1999-00818-002

East Cleveland, Codified Ordinances, Section 191.1302 (1998), requires the Library to withhold city income taxes from wages earned by Library employees and to remit them on a regular basis. The City utilizes the Regional Income Tax Authority (RITA) to collect and remit income tax collections.

A review of the December 31, 1998 bank reconciliation for the payroll account disclosed several outstanding checks made out to RITA were several months old. According to RITA personnel, the City was delinquent in remitting the withholdings due from February through July of 1998. This was due in part to the fact that the checks RITA received were already more than six months old and considered stale dated. RITA was informed that the checks would be reissued, but they were not reissued until May 2000. Consequently, the Library was assessed an additional \$3,794 in interest and penalties that was paid in May 2000.

In August 1998, the Library retained the services of Automated Data Processing (ADP) to process their payroll and to remit city income tax withholdings to the appropriate agencies. This should enhance the Library's ability to remit the withholdings to the appropriate agencies in a timely manner.

FINDING NUMBER 1999-00818-003

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 1999 and 1998. In addition, a treasury reconciliation of all cash, investments and fund balances was not performed. Consequently, several errors were made and went undetected and subsequently, several adjustments had to be made to the financial statements.

We recommend that monthly reconciliations between the adjusted bank 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 and date the reconciliations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JUNE 27, 2000**