

**SHAKER HEIGHTS PUBLIC LIBRARY**

**AUDIT REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Shaker Heights Public Library

We have reviewed the Independent Auditor's Report of the Shaker Heights Public Library, Cuyahoga County, prepared by James G. Zupka, CPA for the audit period January 1, 2001 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shaker Heights Public Library is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 22, 2003

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SHAKER HEIGHTS PUBLIC LIBRARY  
CUYAHOGA, OHIO  
AUDIT REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT**

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

We have audited the accompanying financial statements of the Shaker Heights Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2002 and December 31, 2001, as listed in the Table of Contents. 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 audit.

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 audit provides a reasonable basis for our opinion.

As discussed in Note 1B, 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 cash and reserves for encumbrances of the Shaker Heights Public Library, Cuyahoga County, Ohio, as of December 31, 2002 and December 31, 2001, and the revenues it received and expenditures it paid for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2003 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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 when 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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

March 24, 2003

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James G. Zupka  
Certified Public Accountant

SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND  
 TYPES AND SIMILAR FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	General	Special	Capital Projects	Expendable Trust	Total (Memorandum Only)
<b>Cash Receipts</b>					
Local Taxes	\$ 4,533,303	\$ 0	\$ 0	\$ 0	\$ 4,533,303
Charges for Sales	6,820	0	0	0	6,820
State Grants-in-Aid	0	0	0	0	0
Patron Fines and Fees	159,429	0	0	0	159,429
Interest on Investments	27,567	0	1,329	1,382	30,278
Contributions, Gifts and Donations	15,959	0	0	2,628	18,587
Miscellaneous	0	0	0	1,275	1,275
<b>Total Cash Receipts</b>	4,743,078	0	1,329	5,285	4,749,692
<b>Cash Disbursements</b>					
Current:					
Salaries and Benefits	3,214,713	0	0	0	3,214,713
Library Materials & Information	1,012,421	0	0	0	1,012,421
Materials and Supplies	77,475	0	0	614	78,089
Contractual Services	270,828	0	261,061	4,384	536,273
Rent and Utilities	203,667	0	0	0	203,667
Communication, Printing and Publicity	86,689	0	0	0	86,689
Maintenance and Repair	82,900	0	0	0	82,900
Insurance	28,681	0	0	0	28,681
Travel and Meeting Expense	7,591	0	0	0	7,591
Dues and Memberships	9,216	0	0	0	9,216
Other	888	0	0	0	888
Capital Outlay	78,594	0	72,343	3,625	154,562
<b>Total Program Disbursements</b>	5,073,663	0	333,404	8,623	5,415,690
Total Receipts Over (Under) Program Disbursements	(330,585)	0	(332,075)	(3,338)	(665,998)
<b>Other Financing Receipts (Disbursements)</b>					
Transfers - In	0	0	760,000	0	760,000
Transfer - Out	(760,000)	0	0	0	(760,000)
Refunds and Reimbursements	316,011	0	0	0	316,011
<b>Total Other Financing Receipts/ (Disbursements)</b>	(443,989)	0	760,000	0	316,011
Excess of Cash Receipts and Other Financing Receipts Over (Under) and Other Financing	(774,574)	0	427,925	(3,338)	(349,987)
Fund Cash Balances January 1, 2002	1,784,584	0	86,018	89,625	1,960,227
Fund Cash Balances December 31, 2002	\$ 1,010,010	\$ 0	\$ 513,943	\$ 86,287	\$ 1,610,240
<b>Reserve for Encumbrances December 31, 2002</b>	\$ 244,682	\$ 0	\$ 372,491	\$ 60	\$ 617,233

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



SHAKER HEIGHTS PUBLIC LIBRARY  
 CUYAHOGA COUNTY  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND  
 TYPES AND SIMILAR FIDUCIARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>General</u>	<u>Special</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>Cash Receipts</b>					
Local Taxes	\$ 4,662,218	\$ 0	\$ 0	\$ 0	\$ 4,662,218
Charges for Sales	7,445	0	0	0	7,445
Patron Fines and Fees	151,046	0	0	0	151,046
Interest on Investments	65,735	0	2,030	5,090	72,855
Contributions	91,449	15,000	0	1,702	108,151
Miscellaneous	0	0	0	1,555	1,555
<b>Total Cash Receipts</b>	<u>4,977,893</u>	<u>15,000</u>	<u>2,030</u>	<u>8,347</u>	<u>5,003,270</u>
<b>Cash Disbursements</b>					
Current:					
Salaries and Benefits	3,090,246	0	0	0	3,090,246
Library Materials & Information	905,566	0	0	1,791	907,357
Materials and Supplies	76,788	0	0	0	76,788
Contractual Services	238,402	13,380	24,389	0	276,171
Rent and Utilities	177,429	0	236,077	0	413,506
Communication, Printing Publicity	75,466	0	0	3,746	79,212
Maintenance and Repair	62,376	0	0	640	63,016
Insurance	22,288	0	0	0	22,288
Travel and Meeting Expense	16,123	0	0	0	16,123
Dues and Memberships	9,415	0	0	0	9,415
Other	3,346	0	0	0	3,346
Capital Outlay	22,974	1,620	123,163	6,287	154,044
<b>Total Program Disbursements</b>	<u>4,700,419</u>	<u>15,000</u>	<u>383,629</u>	<u>12,464</u>	<u>5,111,512</u>
Total Receipts Over (Under) Program Disbursements	<u>277,474</u>	<u>0</u>	<u>(381,599)</u>	<u>(4,117)</u>	<u>(108,242)</u>
<b>Other Financing Receipts/(Disbursements)</b>					
Transfers - In	0	0	400,000	0	400,000
Transfers - Out	(400,000)	0	0	0	(400,000)
Refunds & Reimbursements	225,367	0	0	0	225,367
<b>Total Other Financing Receipts/ (Disbursements)</b>	<u>(174,633)</u>	<u>0</u>	<u>400,000</u>	<u>0</u>	<u>225,367</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements & Other Financing Disbursements	102,841	0	18,401	(4,117)	117,125
Fund Cash Balances January 2, 2001	1,681,743	0	67,617	93,742	1,843,102
Fund Cash Balances December 31, 2001	<u>\$ 1,784,584</u>	<u>\$ 0</u>	<u>\$ 86,018</u>	<u>\$ 89,625</u>	<u>\$ 1,960,227</u>
<b>Reserve for Encumbrances - December 31, 2001</b>	<u>\$ 568,635</u>	<u>\$ 0</u>	<u>\$ 73,727</u>	<u>\$ 218</u>	<u>\$ 642,580</u>

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

SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Entity**

The Shaker Heights Public Library (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by an appointed seven-member Board of Trustees.

The Library's management believes these financial statements present all activities for which the Library is financially accountable except the employee deferred compensation fund, maintained by an outside custodian, is not included in these financial statements.

B. **Basis of Accounting**

These financial statements were prepared on the cash basis of accounting, which is prescribed or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

C. **Cash and Investments**

Certificates of Deposit and Repurchase Agreements are valued at cost. The Repurchase Agreements were purchased through a Sweep account.

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 by law or contract to be restricted.

**Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through the trust funds). The Library had no significant capital projects during the 2001 period, but in October of 2002, improvements of the Bertram Woods Branch and various building improvement projects expenditures were recorded in the capital projects fund.

SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

Fiduciary Funds (Expendable 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 fiduciary funds:

The Bertram Woods Branch Fund is an ongoing trust fund which uses monies received for general operating needs such as purchase of materials, furniture, or required maintenance.

The Marilyn Kammer Memorial Fund is an ongoing fund which uses the monies to purchase the New York Times Best Seller Books.

The Walter N. Lawson and Sheldon Skip Baumel Funds were used to purchase local history books and materials.

The Barbara Luton Fund and the Lisa Pruett Memorial Funds were used to purchase artwork.

The Elaine Boots-Fisher Trust Fund was used to purchase Newbury and Caldecott award winning children's books.

E. **Budgetary Process**

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 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. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised 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.

A summary of 2002 and 2001 budgetary activity appears in Note 4.

F. **Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as 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.

H. **Total Columns on Statements - Overview**

Total columns on the Statements-Overview are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis.

SHAKER HEIGHTS PUBLIC LIBRARY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 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 was as follows:

	2002	2001
General Operating Account	\$ 166,280	\$ 233,842
Total Deposits	166,280	233,842
STAROhio	885,832	870,098
Sweep/Repurchase Agreement	558,128	856,287
Trust Account Stock	0	0
Total Investments	1,443,960	1,726,385
Total Deposits and Investments	\$ 1,610,240	\$1,960,227

NOTE 3: **DEPOSITS**

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

Investments: Repurchase Agreements are uninsured investments held by the financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

NOTE 4: **BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2002 was as follows:

2002 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$6,296,267	\$5,059,089	\$(1,237,178)
Special Revenue	0	0	0
Capital Projects	921,663	761,329	(160,334)
Fiduciary	96,346	5,285	(91,061)
Total	\$7,314,276	\$5,825,703	\$(1,488,573)

SHAKER HEIGHTS PUBLIC LIBRARY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 4: **BUDGETARY ACTIVITY** (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$6,717,963	\$6,078,345	\$ 639,618
Capital Projects	848,449	705,895	142,554
Fiduciary	96,065	8,683	87,382
Total	<u>\$7,662,477</u>	<u>\$6,792,923</u>	<u>\$ 869,554</u>

Budgetary activity for the year ending December 31, 2001 was as follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$6,331,375	\$5,203,260	\$(1,128,115)
Special Revenue	0	15,000	15,000
Capital Projects	1,150,308	402,030	(748,278)
Fiduciary	102,318	8,347	(93,971)
Total	<u>\$7,584,001</u>	<u>\$5,628,637</u>	<u>\$(1,955,364)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$6,871,996	\$5,669,054	\$1,202,942
Special Revenue	15,000	15,000	0
Capital Projects	1,119,586	457,356	662,230
Fiduciary	103,642	12,682	90,960
Total	<u>\$8,110,224</u>	<u>\$6,154,092</u>	<u>\$1,956,132</u>

SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 5: **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. 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 local taxes. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due January 11. The second half payment is due the following July 11.

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. The Library has a 4 mill levy which is voted on by the residents of Shaker Heights.

NOTE 6: **RETIREMENT SYSTEMS**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.31 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2002.

NOTE 7: **RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

- C Comprehensive property and general liability
- C Vehicles
- C Errors and omissions

The Library also provides health, dental, and life insurance and disability coverage to full-time and three-quarter time employees through a private carrier.

SHAKER HEIGHTS PUBLIC LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 8: **DEBT**

The Shaker Heights Public Library had no outstanding debt as of December 31, 2002 and 2001.



**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Shaker Heights Public Library  
Shaker Heights, Ohio

We have audited the financial statements of the Shaker Heights Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated March 24, 2003. We conducted our audit 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance that we have reported to the management of the Shaker Heights Public Library in a separate letter dated March 24, 2003.

**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 provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the Internal Control over Financial Reporting that do not require inclusion in this report that we have reported to the management of the Shaker Heights Public Library in a separate letter dated March 24, 2003.

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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

March 24, 2003

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James G. Zupka  
Certified Public Accountant



**Auditor of State  
Betty Montgomery**

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**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  
JUNE 10, 2003**