



**Auditor of State  
Betty Montgomery**



**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Board of Trustees  
Cuyahoga County Public Library  
Cuyahoga County  
2111 Snow Road  
Parma, Ohio 44134

We have audited the accompanying financial statements of Cuyahoga County Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audit 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 audit 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 described 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 of the Cuyahoga County Public Library, Cuyahoga County, Ohio as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, effective January 1, 2002, the Library reclassified its Branch Regular Trust Fund, eight Branch Special Trust Funds and two Endowment Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2004 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 management, 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.

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

**Betty Montgomery**  
Auditor of State

November 15, 2004

**CUYAHOGA COUNTY 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, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$19,356,332	\$0	\$0	\$0	\$19,356,332
Intergovernmental	26,922,641				26,922,641
Patron Fines and Fees	584,251				584,251
Services Provided to Other Entities	5,076				5,076
Contributions, Gifts and Donations	14,776	81,280			96,056
Earnings on Investments	142,979	9,547	112,257	175	264,958
Miscellaneous Receipts	66,079	15,409			81,488
<b>Total Cash Receipts</b>	<b>47,092,134</b>	<b>106,236</b>	<b>112,257</b>	<b>175</b>	<b>47,310,802</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	34,708,678				34,708,678
Purchased and Contracted Services	6,369,135	39,379		149	6,408,663
Library Materials and Information	6,461,474	7,251			6,468,725
Supplies	1,022,663	15,903			1,038,566
Other Objects	65,939	5,231			71,170
Capital Outlay	43,916	90,143	1,141,954		1,276,013
Debt Service:					
Redemption of Principal					0
Interest Payments & Other Financing Fees and Costs					0
<b>Total Cash Disbursements</b>	<b>48,671,805</b>	<b>157,907</b>	<b>1,141,954</b>	<b>149</b>	<b>49,971,815</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,579,671)	(51,671)	(1,029,697)	26	(2,661,013)
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds of Bonds					
Proceeds of Notes					
Proceeds from Sales of Property					
Transfers-In	1,415,000				1,415,000
Advances-In					0
Transfers-Out			(1,415,000)		(1,415,000)
Advances-Out					0
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>1,415,000</b>	<b>0</b>	<b>(1,415,000)</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(164,671)	(51,671)	(2,444,697)	26	(2,661,013)
Fund Cash Balances, January 1	4,591,167	1,015,847	5,414,338	173,570	11,194,922
<b>Fund Cash Balances, December 31</b>	<b>\$4,426,496</b>	<b>\$964,176</b>	<b>\$2,969,641</b>	<b>\$173,596</b>	<b>\$8,533,909</b>

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

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST AND AGENCY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$592	\$0	\$592
Miscellaneous Receipts		63,254	63,254
Total Operating Cash Receipts	592	63,254	63,846
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries and Benefits		68,843	68,843
Purchased and Contracted Services	913		913
Other Objects			0
Capital Outlay			0
Total Operating Cash Disbursements	913	68,843	69,756
Operating Income/(Loss)	(321)	(5,589)	(5,910)
<b>Non-Operating Cash Receipts:</b>			
Government Grants In Aid			0
Earnings on Investments			0
Proceeds of Bonds			0
Proceeds of Notes			0
Proceeds from Sales of Property			0
Other Non-Operating Receipts			0
Total Non-Operating Cash Receipts	0	0	0
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Redemption of Principal			0
Interest Payments and Financing Fees/Costs			0
Other Non-Operating Disbursements			0
Total Non-Operating Cash Disbursements	0	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(321)	(5,589)	(5,910)
Transfers-In			0
Advances-In			0
Transfers-Out			0
Advances-Out			0
Net Receipts Over/(Under) Disbursements	(321)	(5,589)	(5,910)
Fund Cash Balances, January 1	53,361	25,055	78,416
<b>Fund Cash Balances, December 31</b>	<b>\$53,040</b>	<b>\$19,466</b>	<b>\$72,506</b>

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



**CUYAHOGA COUNTY 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, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$19,380,899	\$0	\$0	\$0	\$19,380,899
Intergovernmental	27,192,180	1,000			27,193,180
Patron Fines and Fees	892,544				892,544
Services Provided to Other Entities	4,610				4,610
Contributions, Gifts and Donations	5,328	111,951			117,279
Earnings on Investments	248,564	15,495	260,588	548	525,195
Miscellaneous Receipts	145,925	19,539			165,464
<b>Total Cash Receipts</b>	<b>47,870,050</b>	<b>147,985</b>	<b>260,588</b>	<b>548</b>	<b>48,279,171</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	32,473,340				32,473,340
Purchased and Contracted Services	7,722,180	15,649		400	7,738,229
Library Materials and Information	7,911,737	12,341		131	7,924,209
Supplies	1,183,494	14,681			1,198,175
Other Objects	55,435	5,249			60,684
Capital Outlay	717,302	68,718	2,277,677		3,063,697
Debt Service:					
Redemption of Principal					0
Interest Payments & Other Financing Fees and Costs					0
<b>Total Cash Disbursements</b>	<b>50,063,488</b>	<b>116,638</b>	<b>2,277,677</b>	<b>531</b>	<b>52,458,334</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(2,193,438)</b>	<b>31,347</b>	<b>(2,017,089)</b>	<b>17</b>	<b>(4,179,163)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds of Bonds					0
Proceeds of Notes					0
Proceeds from Sales of Property					0
Transfers-In					0
Advances-In					0
Transfers-Out					0
Advances-Out					0
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(2,193,438)</b>	<b>31,347</b>	<b>(2,017,089)</b>	<b>17</b>	<b>(4,179,163)</b>
Fund Cash Balances, January 1 - restated	6,784,605	984,500	7,431,427	173,553	15,374,085
<b>Fund Cash Balances, December 31</b>	<b>\$4,591,167</b>	<b>\$1,015,847</b>	<b>\$5,414,338</b>	<b>\$173,570</b>	<b>\$11,194,922</b>

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

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST AND AGENCY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Fiduciary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Earnings on Investments	\$964	\$0	\$964
Miscellaneous Receipts		69,288	69,288
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	964	69,288	70,252
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries and Benefits		44,233	44,233
Purchased and Contracted Services			
Library Materials and Information	1,712		1,712
Other Objects			
Capital Outlay			
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	1,712	44,233	45,945
Operating Income/(Loss)	(748)	25,055	24,307
<b>Non-Operating Cash Receipts:</b>			
Government Grants In Aid			0
Earnings on Investments			0
Proceeds of Bonds			0
Proceeds of Notes			0
Proceeds from Sales of Property			0
Other Non-Operating Receipts			0
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts	0	0	0
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Redemption of Principal			0
Interest Payments and Financing Fees/Costs			0
Other Non-Operating Disbursements			0
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Disbursements	0	0	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(748)	25,055	24,307
Transfers-In			0
Advances-In			0
Transfers-Out			0
Advances-Out			0
	<hr/>	<hr/>	<hr/>
Net Receipts Over/(Under) Disbursements	(748)	25,055	24,307
Fund Cash Balances, January 1 - restated	54,109		54,109
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$53,361</u></b>	<b><u>\$25,055</u></b>	<b><u>\$78,416</u></b>

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

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Cuyahoga County Public Library, Cuyahoga County, Ohio, (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 County Commissioners and the Common Pleas Judges. 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.

**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 an expenditure is made.

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

**C. Cash and Investments**

Investments are included in fund cash balances. 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.

Federal securities are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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:

**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 in another fund.

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

This fund is 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 Funds:

Frankenstein Fund - used to account for the receipt and disbursement of funds for an exhibit that was displayed at the Parma Regional Branch Library.

Branch Regular/Special - This fund is used to account for financial resources to be used for the acquisition of furniture and equipment from donations.

**3. 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:

Capital Fund - used to account for financial resources to be used for the acquisition of furniture and equipment.

**4. 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. Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant fiduciary funds:

Expendable Trust Fund

Endowment Fund – This fund is used to account for bequests granted to the Library in which both the principal and interest can be used.

Non-expendable Trust Fund

Endowment Fund - This fund is used to account for bequests granted to the Library in which only the interest earnings can be expended.

Agency Fund - This fund is used to account for employee contributions to a Flexible Spending Account used for healthcare.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end. Budgetary expenditures may not exceed appropriations at the fund level of control.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**H. Total Columns**

Total columns on the financial statements are captioned “(Memorandum Only)” indicate that they are presented to facilitate financial analysis. Such data is not comparable to a consolidation.

**2. RECLASSIFICATION OF FUNDS**

Effective January 1, 2002, the Library reclassified the Branch Regular Trust Fund and eight of the Branch Special Trust Funds from Expendable Trust Fund to Special Revenue Funds. In addition, the Library reclassified two of its Endowment Funds from Non-Expendable Trust Funds to Expendable Trust Funds.

	Special Revenue	Expendable Trust	Non-Expendable Trust
Fund Balance at December 31, 2001	\$ 0	\$1,141,984	\$ 70,178
Fund Balance at January 1, 2002	\$ 984,500	\$ 173,553	\$ 54,109

There was no effect on prior receipts or expenditures. Additionally, there was no effect on the excess of receipts and other financing receipts over cash disbursements and other financing disbursements. Finally, there was no effect on the operating loss and the net receipts under disbursements related to the Non-Expendable Trust Fund.

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**3. 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:

	2003	2002
Demand deposits	(\$430,045)	(\$983,347)
Petty Cash and Change Cash	1,995	1,995
Total deposits	(428,050)	(981,352)
Federal Securities	3,991,750	6,010,684
STAR Ohio	4,144,942	4,887,056
Cleveland Foundation (in certificate of deposit, commercial paper, money market fund and folding rate note)	157,746	157,746
Victory Money Market Mutual Fund	740,027	1,199,204
Total investments	9,034,465	12,254,690
Total deposits and investments	\$8,606,415	\$11,273,338

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit risk pool.

**Investments:** Federal securities are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio, Cleveland Foundation and the Victory Money Market Mutual Fund are not evidenced by securities that exist in physical or book-entry form.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$53,487,339	\$48,671,805	\$4,815,534
Special Revenue	241,114	157,907	83,207
Capital Projects	2,836,650	2,556,954	279,696
Expendable Trust	1,966	149	1,817
Non-Expendable Trust	916	913	3
Agency	80,000	68,843	11,157
Total	\$56,647,985	\$51,456,571	\$5,191,414

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**4. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,690,055	\$50,063,488	\$4,626,567
Special Revenue	346,402	116,638	229,764
Capital Projects	3,557,585	2,277,677	1,279,908
Expendable Trust	2,787	531	2,256
Non-Expendable Trust	2,700	1,712	988
Agency	80,000	44,233	35,767
Total	\$58,679,529	\$52,504,279	\$6,175,250

**5. 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 based on of any additional revenues the Library receives. These revenues are reflected in the accompanying financial statements as Intergovernmental.

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 Intergovernmental. 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.

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(CONTINUED)**

**6. RETIREMENT SYSTEM**

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Cuyahoga County Public Library has obtained commercial insurance for the following risks:

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

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

**8. SUBSEQUENT EVENTS**

In March 2004 voters in Cuyahoga County approved a new operating levy for the Library. It was a replacement/new tax levy. Funds will be collected beginning January 2005.





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Cuyahoga County Public Library  
Cuyahoga County  
2111 Snow Road  
Parma, Ohio 44134

We have audited the financial statements of the Cuyahoga County Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated November 15, 2004, wherein we noted the Library reclassified its Branch Regular Trust, eight Branch Special Trust Funds and two Endowment Funds. 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 *Governmental 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures 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 certain matter 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 judgment, could adversely affect the Library's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions, described above are material weakness.

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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 November 15, 2004.

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

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

**Betty Montgomery**  
Auditor of State

November 15, 2004

**CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<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>2003-001</b>
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**Payroll Account Bank Reconciliations**

A necessary step in the internal controls over the payroll cycle and overall financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. The purpose of a bank reconciliation is to account for the differences between the balance appearing on the bank statement(s) and the balance of cash according to the entity's records. For bank accounts, set up solely to process bi-weekly payroll transactions and withholding distributions, the reconciliation involves adjusting the bank balance to arrive at a zero book balance.

The Library's payroll bank account has not been accurately and completely reconciled since April 30, 2002. These reconciliations have been delayed, in part, due to inaccurate or incomplete listings of outstanding checks provided by the bank.

Without completed and accurate payroll bank reconciliations, the Library's internal control structure is weakened, which could hinder the timely detection of errors or irregularities by employees and/or management.

We recommend the Library implement additional procedures to ensure the monthly payroll bank reconciliations are completed, in a timely manner, at the end of the month.

<b>Finding Number</b>	<b>2003-002</b>
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**Endowment Fund**

The Cuyahoga County Public Library established an "Endowment Fund" with the Cleveland Foundation, through National City Bank in 1986 by entering into an irrevocable trust agreement. The Endowment Fund was set up as a trust fund solely for the benefit of the Library, and the income was to be distributed annually to the Library.

At the end of 1999, the Library received a distribution of approximately \$134,000 from the Aubrey M. Billings Trust. In 2000, the Board of Library Trustees passed a resolution expressing the Board's intent to create a Library Foundation through the Cleveland Foundation, making an irrevocable transfer of the money received from the Billings' Trust for the benefit of the Library Foundation. The Library entered into an Instrument of Conveyance dated December 30, 2000 with the Cleveland Foundation. Although the Instrument of Conveyance does not make reference to the Library Foundation because it had not yet been created, the Cuyahoga County Library Foundation was ultimately formed in January 2002.

The Library believed it had irrevocably transferred the Billing's Trust funds to the Cleveland Foundation in 2002 for the benefit of the Library Foundation. However, the Instrument of Conveyance does not clearly reflect this intent. Further, the Instrument of Conveyance contains contradictory language about control of the funds.

CUYAHOGA COUNTY PUBLIC LIBRARY  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
(Continued)  
DECEMBER 31, 2003 AND 2002

Finding Number	2003-002
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**Endowment Fund (Continued)**

In cooperation and agreement with the Library's legal counsel, the Cuyahoga County Prosecutor's Office, and Library management recommended the Library should either direct the Cleveland Foundation to place all funds into investments that comply with Oho Rev. Code Section 135, or terminate its contractual relationship with the Cleveland Foundation and reclaim the funds to the Library's custody and control.

If the Library should decide to terminate its agreement with the Cleveland Foundation, the Library should instruct the Cleveland Foundation to return to the Library the original sum of \$133,906.67, plus interest, and to return directly to the Library Foundation all contributions it has made to the Fund, plus interest.

Further, if the Library/Library Foundation should decide to continue its relationship with the Cleveland Foundation, the Instrument of Conveyance should be revised to correct any contradictory or ambiguous language.

We concur with these recommendations.



**Auditor of State  
Betty Montgomery**

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**CUYAHOGA COUNTY PUBLIC LIBRARY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 7, 2004**