



**Auditor of State  
Betty Montgomery**



EAST CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 21, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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, 2005 and December 31, 2004. 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the East Cleveland Public Library, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2005 and December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 21, 2006



**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, 2005**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$845,856	\$	\$	\$	\$845,856
Other Government Grants-In-Aid	1,801,944				1,801,944
Patron Fines and Fees	6,851				6,851
Earnings on Investments	44,018		4,206		48,224
Contributions, Gifts and Donations	29,662	63,666	377,740		471,068
Miscellaneous Receipts	44,296				44,296
<b>Total Cash Receipts</b>	<u>2,772,627</u>	<u>63,666</u>	<u>381,946</u>		<u>3,218,239</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,678,002	32,189			1,710,191
Supplies	48,205	86			48,291
Purchased and Contracted Services	570,472	4,193	36,905		611,570
Library Materials and Information	223,417				223,417
Other Objects	21,533				21,533
Capital Outlay	134,434	2,908	1,427,563		1,564,905
<b>Total Cash Disbursements</b>	<u>2,676,063</u>	<u>39,376</u>	<u>1,464,468</u>		<u>4,179,907</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>96,564</u>	<u>24,290</u>	<u>(1,082,522)</u>		<u>(961,668)</u>
Fund Cash Balances, January 1, 2005	<u>865,887</u>	<u>33,409</u>	<u>1,145,887</u>	<u>3,792</u>	<u>2,048,975</u>
<b>Fund Cash Balances, December 31, 2005</b>	<u><b>\$962,451</b></u>	<u><b>\$57,699</b></u>	<u><b>\$63,365</b></u>	<u><b>\$3,792</b></u>	<u><b>\$1,087,307</b></u>

*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, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$831,281	\$	\$	\$	\$831,281
Other Government Grants-In-Aid	1,843,544				1,843,544
Patron Fines and Fees	7,436				7,436
Earnings on Investments	16,669		14,575	96	31,340
Contributions, Gifts and Donations		33,184	332,963		366,147
Miscellaneous Receipts	4,783				4,783
<b>Total Cash Receipts</b>	<u>2,703,713</u>	<u>33,184</u>	<u>347,538</u>	<u>96</u>	<u>3,084,531</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,621,791				1,621,791
Supplies	37,791				37,791
Purchased and Contracted Services	483,014		105,354		588,368
Library Materials and Information	168,382				168,382
Other Objects	27,219			1,485	28,704
Capital Outlay	12,015		1,316,809		1,328,824
<b>Total Cash Disbursements</b>	<u>2,350,212</u>		<u>1,422,163</u>	<u>1,485</u>	<u>3,773,860</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>353,501</u>	<u>33,184</u>	<u>(1,074,625)</u>	<u>(1,389)</u>	<u>(689,329)</u>
Fund Cash Balances, January 1, 2004	<u>512,386</u>	<u>225</u>	<u>2,220,512</u>	<u>5,181</u>	<u>2,738,304</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><b>\$865,887</b></u>	<u><b>\$33,409</b></u>	<u><b>\$1,145,887</b></u>	<u><b>\$3,792</b></u>	<u><b>\$2,048,975</b></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, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the East Cleveland Public Library, Cuyahoga County, (The Library) as a body corporate and politic. The East Cleveland Board of Education appoints a seven-member Board of Trustees to govern the Library. 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.

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**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 accounts for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditures 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.

**EAST CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Capital Projects Fund**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

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

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the Library classifies the activity as a nonexpendable trust fund. The Library classifies other trust funds as expendable. The Library had the following significant Nonexpendable Trust Fund

Putnam Fund – These monies were donated to the Library and are to be used for hospitality supplies.

**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, function level of control.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**EAST CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand Deposits	\$256,824	\$280,978
Investments - STAR Ohio	830,483	1,767,997
Total Demand Deposits and Investments	\$1,087,307	\$2,048,975

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library.

**Investments:** Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 is as follows:

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,796,256	\$2,676,063	\$120,193
Special Revenue	47,440	39,376	8,064
Capital Projects	1,465,349	1,464,468	881
Total	\$4,309,045	\$4,179,907	\$129,138

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,725,849	\$2,350,212	\$375,637
Capital Projects	2,538,739	1,422,163	1,116,576
Total	\$5,264,588	\$3,772,375	\$1,492,213

**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 State allocates LLGSF 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 any additional revenues the Library receives. These revenues are reflected in the financial statements as Other Government Grants-In-Aid.

**EAST CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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 Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries from January 1, 2004 through December 31, 2005. The Library has paid all contributions required through December 31, 2005.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The 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 full-time employees through a private carrier. The Library's liability is limited to the premiums it pays.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the East Cleveland Public Library, Cuyahoga County, Ohio, (the Library) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated August 21, 2006 wherein we noted that the Library prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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.

#### **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 in order to express our opinion on the financial statements and not to opine 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 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 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. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 21, 2006



**EAST CLEVELAND PUBLIC LIBRARY  
CUYAHOGA COUNTY  
SCHEDULE OF FINDING  
DECEMBER 31, 2005 AND 2004**

<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>2005-001</b>
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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 monthly bank reconciliations. 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 2005 and 2004 for periods of up to six months. We also noted that postings to the general ledger were not made for periods of up to 60 days and that two wire transfers to the payroll clearing account were not posted. The failure to perform timely bank reconciliations resulted in errors not being detected in a timely manner. The financial statements reflect the correcting adjustments.

We recommend that monthly reconciliations between the adjusted bank accounts and the treasury be performed within two to three weeks after receiving the bank and investment statements. 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.





**Auditor of State  
Betty Montgomery**

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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  
SEPTEMBER 21, 2006**