



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Cleveland Area Metropolitan Library System
Cuyahoga County
20600 Chagrin Boulevard, Suite 500
Shaker Heights, Ohio 44122

To the Board of Trustees:

We have audited the accompanying financial statements of the Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio (the Library System) as of and for the year ended June 30, 2002. These financial statements are the responsibility of the Library System'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 *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 provide a reasonable basis for our opinion.

As discussed in Note 1, the Library System 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 Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio as of June 30, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002 on our consideration of the Library System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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Jim Petro
Auditor of State

November 22, 2002

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**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
 CUYAHOGA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Memberships	\$227,677	\$0	\$227,677
Intergovernmental	0	340,021	340,021
Interest	16,303	0	16,303
Contract Services	19,802	0	19,802
Workshop	19,388	0	19,388
Miscellaneous	3,295	0	3,295
	<u>286,465</u>	<u>340,021</u>	<u>626,486</u>
Total Cash Receipts			
	286,465	340,021	626,486
Cash Disbursements:			
Salaries	70,811	196,307	267,118
Fringes	34,362	36,595	70,957
Supplies	4,894	1,248	6,142
Travel	9,663	3,250	12,913
Contracts	99,533	60,834	160,367
Other	24,767	28,995	53,762
Consultants	11,000	0	11,000
Periodicals	1,315	0	1,315
Workshop	16,664	0	16,664
Equipment	17,237	13,664	30,901
	<u>290,246</u>	<u>340,893</u>	<u>631,139</u>
Total Disbursements			
	290,246	340,893	631,139
Total Receipts Over/(Under) Disbursements	<u>(3,781)</u>	<u>(872)</u>	<u>(4,653)</u>
Other Financing (Disbursements):			
Transfer-Out	(1,957)	0	(1,957)
Total Other Financing (Disbursements)	<u>(1,957)</u>	<u>0</u>	<u>(1,957)</u>
Excess of Cash Receipts Over/Under Cash Disbursements and Other Financing Disbursements	(5,738)	(872)	(6,610)
Fund Cash Balances July 1, 2001	<u>542,961</u>	<u>17,241</u>	<u>560,202</u>
Fund Cash Balances, June 30, 2002	<u><u>\$537,223</u></u>	<u><u>\$16,369</u></u>	<u><u>\$553,592</u></u>

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

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
 CUYAHOGA COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u> Internal Service	<u>Fiduciary Fund Type</u> Agency	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Workshop	\$15,100	\$0	\$15,100
Management Training Seminar	45,725	0	\$45,725
Miscellaneous	0	375	375
	<u>60,825</u>	<u>375</u>	<u>61,200</u>
Operating Cash Disbursements:			
Workshop	2,901	0	2,901
Management Training Seminar	61,488	0	61,488
	<u>64,389</u>	<u>0</u>	<u>64,389</u>
Operating Income/(Loss)	<u>(3,564)</u>	<u>375</u>	<u>(3,189)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(3,564)	375	(3,189)
Transfer-In	<u>1,957</u>	<u>0</u>	<u>1,957</u>
Net Receipts Over/(Under) Disbursements	(1,607)	375	(1,232)
Fund Cash Balances, July 1, 2001	<u>23,625</u>	<u>350</u>	<u>23,975</u>
Fund Cash Balances, June 30, 2002	<u>\$22,018</u>	<u>\$725</u>	<u>\$22,743</u>

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

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio, (the Library System) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library System is a Regional Library System as chartered by the State Library Board under the authority of Section 3375.90 Ohio Revised Code. The Library System was incorporated on July 1, 1991. The Library System is directed by an appointed thirteen member Board of Trustees.

The Library System is a jointly governed organization comprised of seventy-three public, academic, special and school libraries. The organization was formed for the purpose of providing an effective and efficient sharing of information, resources, and expertise. Each member provides membership dues to the Library System made in accordance with a formula based on their operating budget.

The Library System Board of Trustees consists of thirteen full members with voting privileges elected by, from, and among the Advisory Council. The Advisory Council is comprised of a representative from each member library system. There is one non-voting member representing libraries with associate membership. The Executive Director serves as an ex-officio, non-voting member.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

C. Cash and Equivalents

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

Certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund

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

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

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

State Grant Fund - This fund is used to account for the revenues and expenditures solely associated with the State Grant.

Internal Service Fund

This fund is used to account for operations of the Library System which provide goods or services to other departments of the Library System on a cost-reimbursement basis. The Library System had the following significant Internal Service Funds:

LLOhio Fund - This fund is used to account for operations of the Library System which provide programs and workshops, to other members of the Library System on a cost-reimbursement basis.

Management Training Fund - This fund is used to account for operations of the Library System which conducts programs and seminars for administrators and supervisors or other members of the Library System on a cost-reimbursement basis.

Fiduciary Fund (Agency Fund)

Fund for which the Library System is acting in an agency capacity is classified as an agency fund. The Library System had the following significant Agency Fund:

Scholarship Fund - This fund is used to account for the revenues derived from alumni donations.

E. Budgetary Process

The Library System is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Library System does pass an annual budget in the month of May preceding the fiscal year. Appropriation amendments and transfers are approved by the Board of Trustees during the year as required.

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.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM
CUYAHOGA COUNTY
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND EQUIVALENTS

The Library System 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 June 30 follows:

	<u>2002</u>
Total Demand Deposits	<u>\$576,335</u>

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

3. RETIREMENT SYSTEMS

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 prescribed by the Ohio Revised Code. The Library System's PERS members contributed 8.5% of their gross salaries. The Library System contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required June 30, 2002.

4. RISK MANAGEMENT

The Library System has obtained commercial insurance for the following risks:

- Commercial Inland Marine Coverage
- Employee Dishonesty

The Library System also provides health insurance coverage and dental benefits to employees who work over 20 hours per pay period. The Library System's liability for health care is limited to the premiums paid.

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

Cleveland Area Metropolitan Library System
Cuyahoga County
20600 Chagrin Boulevard, Suite 500
Shaker Heights, Ohio 44122

To the Board of Trustees:

We have audited the accompanying financial statements of the Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio, (the Library System) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Library System'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 are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library System'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. 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.

This report is intended solely for the information and use of the audit committee, management, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

November 22, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM

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
JANUARY 2, 2003**