



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State  
Betty Montgomery**



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio, (CAMLS) as of and for the year ended June 30, 2005, which collectively comprise CAMLS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of CAMLS' management. Our responsibility is to express opinions 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio, as of June 30, 2005, and the respective changes in modified cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in Note 3 to the financial statements, for the year ended June 30, 2005, CAMLS revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and reclassified its internal service fund type to a governmental fund.

As described in Note 8 to the financial statements, the State Library Board of Ohio has formally notified CAMLS that a planned merging of regional libraries will result in funding for CAMLS being discontinued commencing on July 1, 2006. This source of funding accounted for 39% of CAMLS total receipts for the year ended June 30, 2005. The merging of regional libraries is also projected to significantly impact CAMLS funding received from its member libraries as the new regional library will provide the same services CAMLS provides. Membership assessments receipts accounted for 32% of CAMLS total receipts for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2006, on our consideration of CAMLS' 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

March 13, 2006

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

Management's discussion and analysis of the Cleveland Area Metropolitan Library System's (CAMLS) financial performance provides an overall review of CAMLS' financial activities for the year ended June 30, 2005, within the limitations of CAMLS' modified cash basis accounting. Readers also should review the basic financial statements and notes to enhance their understanding of CAMLS' financial performance.

**Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$1,640, or .3 percent, from the prior year, a minimal change from the prior year.

CAMLS general receipts are primarily membership assessments fees. These receipts represent 31.5 percent of the total cash received for governmental activities during the year. Membership assessments fees increased slightly from 2004.

CAMLS had no business-type activities or debt obligations.

During fiscal year 2005 CAMLS has initiated the following activities:

- Developed and implemented a major financial redesign to address the immediate and long-term strategies for sustainability.
- Staff offered consulting services in such areas as Web design, focus group moderation and training for in-service days.
- Coordinated the "North Coast Neighbors Share a Book" for 25 libraries, featuring Homer Hickam's "Rocket Boys". Major partners include: NASA Glenn Research Center, Great Lakes Science Center, WVIZ Ideastream, and WVIZ TV.
- Developed and coordinated a multi-day Library Skills Development Series for paraprofessional/support staff.
- Sponsored and helped coordinate the sixth biennial "Library Leadership Ohio Institute".
- Conducted 47 workshops/training sessions for a total attendance of 1,476: 1,208 CAMLS members, 151 NOLA members, 29 LNOCA and 88 nonmembers.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to CAMLS' modified cash basis of accounting.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(CONTINUED)**

**Report Components**

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of CAMLS as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of CAMLS as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. CAMLS has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Cleveland Area Metropolitan Library System as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how CAMLS did financially during 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of CAMLS at year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid for continuing education registration fees and contract services performed by CAMLS. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each government function activity draws from CAMLS' general receipts.

These statements report CAMLS' cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure CAMLS' financial health. Over time, increases or decreases in CAMLS' cash position is one indication of whether CAMLS' financial health is improving or deteriorating. When evaluating CAMLS' financial condition, you should also consider other non financial factors as well such as the state's funding levels, the increase/decrease of memberships, the extent of the participation in CAMLS' activities from members and non-members. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

The Statement of Net Assets and the Statement of Activities report data on all of CAMLS' activities.



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(CONTINUED)**

**Reporting the Cleveland Area Metropolitan Library System's Most Significant Funds**

Fund financial statements provide detailed information about CAMLS' major funds - not CAMLS as a whole. CAMLS establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. CAMLS' funds are all classified as governmental funds. (CAMLS did not have Proprietary or Fiduciary funds in 2005.)

All of CAMLS' activities during Fiscal Year 2005 are reported in governmental funds. The governmental fund financial statement provides a detailed view of CAMLS' governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance CAMLS' programs. CAMLS' significant governmental funds are presented on the financial statements in separate columns. CAMLS has three major governmental funds - the General Fund, State Fund and the North Coast Neighbors Fund. Information for all non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

**The Government as a Whole**

Table 1 provides a summary of CAMLS' Net Assets for Fiscal Year 2005 compared to Fiscal Year 2004 on a modified cash basis:

<b>Net Assets Governmental Activities</b>		
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 536,563	\$ 538,203
<b>Total Assets</b>	<b>536,563</b>	<b>538,203</b>
<b>Net Assets</b>		
Restricted For:		
Other Purposes	12,277	14,918
Unrestricted	524,286	523,285
<b>Total Net Assets</b>	<b>\$536,563</b>	<b>\$538,203</b>

As mentioned previously, net assets of governmental activities decreased \$1,640, or .3 percent during fiscal year 2005. The primary reason contributing to the decrease in cash balances was that employee fringe benefits went up by 9% due primarily to increases in contributions paid to the Ohio Public Employees Retirement System. The contributions increased due to an increase of hours for part-time employees, which also caused an increase in health care costs and higher Workers' Compensation premiums.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(CONTINUED)**

Table 2 reflects the changes in net assets in fiscal year 2005. Since CAMLS did not prepare financial statements in this format for fiscal year 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2005</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Services and Sales	\$96,807
Operating Grants and Contributions	259,306
Total Program Receipts	356,113
General Receipts:	
Membership Assessments	180,343
Interest	26,427
Miscellaneous	9,340
Total General Receipts	216,110
<b>Total Receipts</b>	<b>572,223</b>
<b>Disbursements:</b>	
Salaries and Benefits	329,624
Purchased and Contracted Services	182,948
Other Objects	61,291
<b>Total Disbursements</b>	<b>573,863</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(1,640)</b>
<b>Net Assets Beginning of Year</b>	<b>538,203</b>
<b>Net Assets End of Year</b>	<b>\$536,563</b>

Program Receipts represent 62 percent of total receipts and are primarily comprised of state funding and charges for workshops provided by CAMLS to the member library's for specific programs.

General Receipts represent 38 percent of CAMLS' total receipts. Of this amount, \$180,343 is membership assessments from the member Library systems. Other receipts such as interest and miscellaneous, are comparatively insignificant.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(CONTINUED)**

Disbursements represent all costs to operate CAMLS. Salaries and Benefits include salaries, wages, and all employee retirement and fringe benefits. Purchased and Contracted Services includes funds paid for the operation of the sponsored programs.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by CAMLS. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by members who are directly charged for services and grants received by CAMLS that must be used to provide a specific service. This "net costs" amount represents the cost of the service which ends up being paid from general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3  
Total and Net Cost of Program Services  
Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
Salaries and Benefits	\$329,624	\$11,409
Purchased and Contracted Services	182,948	(167,868)
Other Objects	61,291	(61,291)
Total Governmental Activities	<u>\$573,863</u>	<u>(\$217,750)</u>

**The Government's Funds**

Total government funds had receipts of \$572,223 and disbursements of \$573,863. The fund balance for total governmental funds decreased by \$1,640.

General fund receipts exceeded disbursements by \$33,855. Other governmental fund receipts were less disbursements by \$35,495 indicating the other governmental funds are in a deficit spending situation. It was the decision of the Board of Trustees, upon the recommendation of the Finance Committee, to pass a deficit budget and draw on the General Fund. The Board is aggressively working on reversing this situation with new revenue generating programs and expenditure reductions.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights**

CAMLS is not bound by the budgetary laws prescribed by the Ohio Revised Code, therefore, budgetary statements are not presented. CAMLS' budget is presented to the membership. The Board of Trustees then meets to approve the budget. The most significant budgeted fund is the General Fund.

CAMLS passes a permanent Annual Appropriations in the spring of the fiscal year with the exception of special fund projects, which can be done as necessary. During the year, the Board amended its General Fund budget as necessary with supplemental appropriations to reflect changing circumstances.

**Capital Assets and Debt Administration**

**Capital Assets**

CAMLS maintains an inventory of equipment and furnishings. CAMLS' financial statements include only cash, cash equivalents, and investments. Physical assets such as CAMLS' furniture and equipment are not included in the financial statements.

**Debt**

CAMLS had no debt during fiscal year 2005.

**Current Issues**

The following is the text of a recommendation issued by the State Library Board in September of 2005:

It is the recommendation of the State Library that there be created four (4) regional library service areas: Northeast, Northwest, Southeast and Southwest. Northeast Regional will include most of CAMLS, all of NOLA and MOLO, as well as Richland and Knox counties, which are not currently members of a Regional Library System.

The impact on CAMLS is uncertain at this time. All three regionals; CAMLS, MOLO, and NOLA, are currently engaged in serious discussions and are committed to commence this merger by July 1, 2006. If the Board of Trustees votes to terminate its charter, which was approved by the State Library of Ohio in 1991, it would have to address the matter of outstanding CAMLS assets, fiscal, as well as furniture and equipment.

**Contacting the Cleveland Area Metropolitan Library System's Financial Management**

This financial report is designed to provide the public with a general overview of CAMLS' finances and to reflect CAMLS' accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Ellen Powers, Clerk-Treasurer, Cleveland Area Metropolitan Library System, 20600 Chagrin Blvd., Suite #500, Shaker Heights, Ohio 44122. CAMLS' phone number is 216-921-3900.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM**

**CUYAHOGA COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*June 30, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 536,563
<i>Total Assets</i>	<u>\$ 536,563</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$ 12,277
Unrestricted	<u>524,286</u>
<i>Total Net Assets</i>	<u>\$ 536,563</u>

See accompanying notes to the basic financial statements



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM**  
**CUYAHOGA COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2005*

	General Fund	State Fund	North Coast Neighbors Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 499,336	\$	\$ 3,576	\$ 8,701	\$ 511,613
Restricted Cash	24,950				24,950
<i>Total Assets</i>	<u>\$ 524,286</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,701</u>	<u>\$ 536,563</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Prepaid Continuing Education	\$ 24,950	\$	\$		\$ 24,950
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	499,336				499,336
Special Revenue Funds			3,576	8,701	12,277
<i>Total Fund Balances</i>	<u>\$ 524,286</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,701</u>	<u>\$ 536,563</u>

See accompanying notes to the basic financial statements

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005*

	General Fund	State Fund	North Coast Neighbors Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Membership Assessments	\$ 180,343	\$	\$	\$	\$ 180,343
Intergovernmental		223,306		21,000	244,306
Charges for Services	82,457		14,350		96,807
Contributions			15,000		15,000
Earnings on Investments	26,427				26,427
Miscellaneous	9,340				9,340
<i>Total Receipts</i>	<u>298,567</u>	<u>223,306</u>	<u>29,350</u>	<u>21,000</u>	<u>572,223</u>
<b>Disbursements</b>					
Salaries and Benefits	129,598	192,306		7,720	329,624
Purchased and Contracted Services	73,864	31,000	30,277	47,807	182,948
Other Objects	61,250			41	61,291
<i>Total Disbursements</i>	<u>264,712</u>	<u>223,306</u>	<u>30,277</u>	<u>55,568</u>	<u>573,863</u>
<i>Net Change in Fund Balances</i>	33,855		(927)	(34,568)	(1,640)
<i>Fund Balances Beginning of Year</i>	<u>490,431</u>		<u>4,503</u>	<u>43,269</u>	<u>538,203</u>
<i>Fund Balances End of Year</i>	<u>\$ 524,286</u>	<u>\$</u>	<u>\$ 3,576</u>	<u>\$ 8,701</u>	<u>\$ 536,563</u>

See accompanying notes to the basic financial statements



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005**

**Note 1 – Description of CAMLS and Reporting Entity**

The Cleveland Area Metropolitan Library System (CAMLS), Cuyahoga County, Ohio, 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. CAMLS is a Regional Library System as chartered by the State Library Board under the authority of Section 3375.90 Ohio Revised Code. CAMLS was incorporated on July 1, 1991 and is directed by an appointed thirteen member Board of Trustees.

CAMLS is a jointly governed organization comprised of sixty-four 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 CAMLS made in accordance with a formula based on their operating budget.

The 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. The Executive Director serves as an ex-officio, non-voting member.

Component units are legally separate organizations for which CAMLS is financially accountable. CAMLS is financially accountable for an organization if CAMLS appoints a voting majority of the organization's governing board and (1) CAMLS is able to significantly influence the programs or services performed or provided by the organization; or (2) CAMLS is legally entitled to or can otherwise access the organization's resources; CAMLS is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or CAMLS is obligated for the debt of the organization. CAMLS is also financially accountable for any organizations for which CAMLS approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of CAMLS, are accessible to CAMLS and are significant in amount to CAMLS. CAMLS has no component units.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, the financial statements of the Ohio Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. (CAMLS does not apply FASB statements issued after November 30, 1989 to its business-type activities and to its enterprise funds.) The most significant of CAMLS' accounting policies are described below.

**A. Basis of Presentation**

CAMLS' basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about CAMLS as a whole. These statements include the financial activities of the primary government

The statement of net assets presents the cash balance of the governmental activities of CAMLS at year end. The statement of activities compares disbursements with program receipts for each of CAMLS' governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which CAMLS is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from CAMLS' general receipts.

Fund Financial Statements

During the year, CAMLS segregates transactions related to certain CAMLS' functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of CAMLS at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

CAMLS uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. CAMLS' funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from membership fees, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are CAMLS' major governmental funds

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to CAMLS for any purpose provided it is expended or transferred according to the general laws of Ohio.

State Library Grant Fund - The fund receives state funded monies for operational and administrative costs, continuing education and library resources.

North Coast Neighbors Fund - This fund is used to account for operations related to the North Coast Neighbors Share a Book program.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

The other governmental funds of CAMLS account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

CAMLS' financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in CAMLS' financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by CAMLS are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by CAMLS is pooled and invested. Individual fund integrity is maintained through CAMLS' records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 negative receipts (contra revenue), respectively.

During 2004, CAMLS had no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$26,427.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**F. Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent prepaid continuing education.

**G. Inventory and Prepaid Items**

CAMLS reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

CAMLS reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under CAMLS' modified cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

CAMLS recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

CAMLS' modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for training.

CAMLS' policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

CAMLS reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. A reserve for prepaid continuing education has been established. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for prepaid continuing education.

**O. Interfund Transactions**

(Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. CAMLS' had no interfund transactions.

**Note 3 – Change in Basis of Accounting and Reclassification of Fund Balance**

Last year CAMLS reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year CAMLS has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Also, for the year ended June 30, 2004, the internal service fund type with a fund balance of \$14,919 has been reclassified as a governmental fund for the year ended June 30, 2005.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 4 – Deposits and Investments**

Monies held by CAMLS are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon CAMLS treasury. Active monies must be maintained either as cash in CAMLS treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by CAMLS can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 4 – Deposits and Investments (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of CAMLS, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, CAMLS will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$336,563 of CAMLS' bank balance of \$536,563 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in CAMLS' name. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, noncompliance with federal requirements could potentially subject CAMLS to a successful claim by the FDIC.

CAMLS has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the CAMLS or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

CAMLS had no investments during the year.

**Note 5 - Defined Benefit Pension Plan**

CAMLS participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 5 - Defined Benefit Pension Plan (Continued)**

For the year ended June 30, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. CAMLS' contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The CAMLS' required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2005 was \$55,735; the full amount has been contributed for 2005. Contributions to the member-directed plan for 2005 were \$34,250 made by the CAMLS and \$21,485 made by the plan members.

**Note 6 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



**CLEVELAND AREA METROPOLITAN LIBRARY SYSTEM  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005  
(Continued)**

**Note 7 – Risk Management**

CAMLS has obtained commercial insurance for the following risks:

- \* Commercial inland marine coverage; and
- \* Employee dishonesty

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

**Note 8 – Subsequent Event**

The State Library Board of Ohio has formally notified CAMLS of their plan to create four regional library service areas commencing July 1, 2006. This restructuring will significantly impact CAMLS operation as state funding will cease and funding received from its member libraries will be significantly reduced as there will be a new regional library. The New Northeast Regional Library will include CAMLS service area as well as other regional libraries. CAMLS and the other regional libraries merging into the Northeast Regional Library are currently engaged in serious discussions and are committed to the new merger. If the CAMLS' Board of Trustees votes to terminate its charter, which was approved by the State Library Board of Ohio in 1991, the disposition of CAMLS' assets will be determined by the Board.

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## **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***

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Area Metropolitan Library System, Cuyahoga County, Ohio, (CAMLS) as of and for the year ended June 30, 2005, which collectively comprise CAMLS' basic financial statements and have issued our report thereon dated March 13, 2006, wherein we noted CAMLS revised its financial presentation comparable to the requirements of Government Accounting Standard No. 34 and reclassified its internal service fund type to a governmental fund and we also noted certain funding difficulties. 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*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered CAMLS' internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

#### **Compliance and Other Matters**

As part of reasonably assuring whether CAMLS' 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*.

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Independent Accountants' Report on Internal Control Over  
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We intend this report solely for the information and use of management, the audit committee and the Board of Trustees. It is not intended for 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

March 13, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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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  
APRIL 6, 2006**