



Dave Yost • Auditor of State



STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Stark County District Library  
Stark County  
715 Market Avenue North  
Canton, Ohio 44702

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 Stark County District Library, Stark County, Ohio (the Library), as of and for the year ended December 31, 2011 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's 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 Stark County District Library, Stark County, Ohio, as of December 31, 2011, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

As described in Note 3, during 2011 the Stark County District Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012, 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.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 11, 2012

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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This discussion and analysis of the Stark County District Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2011, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

**Key highlights for 2011 are as follows:**

The Stark County District Library's total receipts are primarily from the Public Library Fund (PLF) and the 1 mill, 5 year replacement operating levy passed in 2008. The PLF (54.25 percent in 2011 is an increase from 52.19 percent in 2010 and 52.55 percent in 2009) and levy receipts (33.27 percent in 2011 is a decrease from 34.00 percent in 2010 and 33.38 percent in 2009) represent 87.52 percent of the total cash received for the Library's governmental activities during the year.

The Library was again named one of Library Journal's (LJ) best libraries in the nation, earning a 5 Star rating. The LJ Star Index analyzed 7,513 public libraries in the United States, separated libraries by budget, and assigned five, four or three stars to 262 of them. For the third year in a row, the Library is among the best libraries in the nation with a 5 Star Library rating. The criteria that is used by the Library Journal to rate the libraries is circulation, program attendance, public computer use, and library visits per capita, and assigns a statistical value. This value is then compared to comparable libraries based on budget.

In 2011 the Library maintained programming to help customers with job searching. The sixth annual Opportunities Job Fair was held where employers accept resumes and discuss employment opportunities. In addition to the Job Fair, the Library provides free access to business databases, the Internet, and job search tools. These resources are available to every member of the community. There are also free computer classes to help improve job-related computer skills.

The Stark County District Library is dedicated to promoting early literacy by providing valuable information on the six pre-reading skills to parents, caregivers and educators through outreach and innovative library programs. In accordance with the Ohio Ready to Read initiative it disseminates early literacy information using Literacy Cards, which were made possible through a Library Services and Technology Act grant. The library has strived to make sure that staff at all locations are trained in the New Story Time. It has established a unique program, the Young Moms Club, which provides early literacy education, story time, crafts and special activities for teen parents. Also, the library partners with the Canton City Schools to present literacy programs for parents of children in primary grades, in an effort to improve literacy. Finally, the library provides workshops for at-risk families in the community to help prepare parents for their role as their child's first teacher. It is the Stark County District Library's goal to ensure that every child in its community enters Kindergarten with the skills necessary for school success.

### **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 the Library's modified cash basis of accounting.

#### **Report Components**

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library 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.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting per Auditor of State Bulletin 2005-002 and GASB Statement No. 34. 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 Library as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2011, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's 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 the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and PLF.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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In the Statement of Net Assets and the Statement of Activities, the Library is classified as:

Governmental activities. All of the Library's basic services are reported here. PLF support and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library 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. The funds of the Library are classified as governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 Library's major governmental funds are the General Fund and Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2011 compared to 2010 on a modified cash basis: Certain net asset classifications have been reclassified in the governmental activities for 2010 to conform to 2011 presentation in accordance with GASB Statement No. 54.

(Table 1)  
**Net Assets**

|                           | Governmental Activities |             |
|---------------------------|-------------------------|-------------|
|                           | 2011                    | 2010        |
| <b>Assets</b>             |                         |             |
| Cash and Cash Equivalents | \$2,211,894             | \$1,671,402 |
| Investments               | 849,877                 | 849,400     |
| Total Assets              | \$3,061,771             | \$2,520,802 |
| <b>Net Assets</b>         |                         |             |
| Restricted for:           |                         |             |
| Capital Projects          | 15,160                  | 3,301       |
| Permanent Fund            | 20,203                  | 18,757      |
| Other Purposes            | 111,273                 | 109,013     |
| Unrestricted              | 2,915,135               | 2,389,731   |
| Total Net Assets          | \$3,061,771             | \$2,520,802 |

Net assets of governmental activities increased \$540,969 during 2011. For 2011, actual governmental activities receipts increased by \$155,265 or 1.28 percent from 2010 due to a small increase in PLF. A continued reduction in governmental activities disbursements resulted in a \$72,238 or .61 percent decrease from 2010 expenditures.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Table 2 reflects the changes in net assets in 2011. A comparative analysis of government-wide data has been presented for years 2011 and 2010.

(Table 2)  
**Changes in Net Assets**

|   | Governmental Activities |                    |
|---|-------------------------|--------------------|
|   | 2011                    | 2010               |
| Receipts:   |                         |                    |
| Program Receipts:   |                         |                    |
| Charges for Services and Sales                              | \$295,146               | \$289,184          |
| Operating Grants and Contributions                          | 40,206                  | 20,145             |
| Capital Grants and Contributions                            | 147,557                 | 199,461            |
| Total Program Receipts                                      | <u>482,909</u>          | <u>508,790</u>     |
| General Receipts:   |                         |                    |
| Property and Other Local Taxes                              | 4,095,536               | 4,132,313          |
| Public Library Fund   | 6,678,554               | 6,344,334          |
| Unrestricted Gifts and Contributions                        | -                       | 46                 |
| Grants and Entitlements not Restricted to Specific Programs | 968,909                 | 1,072,279          |
| Interest  | 5,199                   | 6,241              |
| Miscellaneous   | 80,525                  | 92,364             |
| Total General Receipts                                      | <u>11,828,723</u>       | <u>11,647,577</u>  |
| Total Receipts  | <u>12,311,632</u>       | <u>12,156,367</u>  |
| Disbursements:  |                         |                    |
| Library Services:   |                         |                    |
| Public Service and Programs                                 | 6,304,432               | 6,263,151          |
| Collection Development and Processing                       | 1,980,090               | 1,917,645          |
| Support Services:   |                         |                    |
| Facilities Operation and Maintenance                        | 1,274,592               | 1,192,330          |
| Information Services  | 554,108                 | 535,273            |
| Business Administration                                     | 1,423,569               | 1,532,205          |
| Capital Outlay  | 233,872                 | 402,297            |
| Total Disbursements   | <u>11,770,663</u>       | <u>11,842,901</u>  |
| Increase in Net Assets                                      | 540,969                 | 313,466            |
| Net Assets, Beginning of Year                               | <u>2,520,802</u>        | <u>2,207,336</u>   |
| Net Assets, End of Year                                     | <u>\$3,061,771</u>      | <u>\$2,520,802</u> |

Program receipts represent only 3.92 percent of total receipts and are primarily comprised of patron fines and fees, genealogy fees, services provided to other entities and capital grants.

Virtually all of the Library's total receipts are general receipts, and of the total amount, 95.38 percent are from the Public Library Fund, Grants and Entitlements not Restricted to Specific Programs and levy receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for Support Services represent the overhead costs of running the Library and the support services provided for the other Library activities.

Stark County District Library  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2011  
 Unaudited

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**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 the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public library services and programs, which account for 53.56 percent of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from the Public Library Fund, levy receipts, investment income, contributions and gifts and miscellaneous. These net costs are paid from the 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)  
**Governmental Activities**

|                  | Total Cost<br>of Services<br>2011 | Net Cost<br>of Services<br>2011 |
|------------------|-----------------------------------|---------------------------------|
| Library Services | \$8,284,522                       | (\$7,949,170)                   |
| Support Services | 3,252,269                         | (3,252,269)                     |
| Capital Outlay   | 233,872                           | (86,315)                        |
| Total            | \$11,770,663                      | (\$11,287,754)                  |

**The Library's Funds**

Total governmental funds had receipts of \$12,311,632 and disbursements of \$11,770,663. The actual General Fund revenue increased by \$180,563 or 1.5 percent from 2010 due to a small increase in PLF. The General Fund expenditures increased by \$76,592 or .66 percent from the 2010 expenditures. The Library Board of Trustees approved a resolution at the December 20, 2011 Board of Trustees meeting to transfer \$500,000 from the General Fund to the Capital Projects Fund.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For 2011, the original budgeted receipts were \$12,493,922, the final budgeted receipts were \$12,132,095 and the actual receipts were \$12,255,311.

The original and final budgeted disbursements for 2011 were \$13,386,761 while actual disbursements were \$12,295,069. The Library monitored spending very closely and in all instances expenditures were under the budgeted amounts.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and currently shrinking, funding.

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted by the State of Ohio as the funding mechanism for Ohio public libraries in January 2008 and is a fixed 2.22% of the total General Revenue Fund (GRF) tax receipts. However, the 2009-2011 State of Ohio biennium budget temporarily reduced the Public Library Fund to 1.97 percent of the total GRF tax receipts and HB153 the 2011-2013 State of Ohio biennium budget alters the PLF funding structure and allocation formula by reducing the Public Library Fund to 95 percent of the Fiscal Year 2011 PLF distribution for each of the next 2 years and also reduces and/or eliminates the Tangible Personal Property Tax (TPPT) replacement. Also, the PLF is further reduced by an additional 1.5 percent (\$5,189,406) for the calendar year 2012 with the transfer of PLF monies to the OPLIN Technology Fund and to the Library for the Blind Fund.

With the trend to read books in the e-book format, libraries are faced with the challenge of providing their customers with e-books. The pricing, technology and availability models for this format are still being developed and will be evolving over the next few years. The financial impact on future materials budgets is yet to be determined.

The Library also continues to explore new technology solutions for staff and customers, including additional computer access for customers, and improved telecommunications among library locations.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Russ Humerickhouse, Fiscal Officer, Stark County District Library, 715 Market Avenue North, Canton, Ohio 44702-1018. Also, information regarding the Library is available on its website, [www.starklibrary.org](http://www.starklibrary.org)

**Stark County District Library, Stark County**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2011*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,211,894                       |
| Investments                                | <u>849,877</u>                     |
| <i>Total Assets</i>                        | <u><u>\$ 3,061,771</u></u>         |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | \$ 15,160                          |
| Permanent Fund                             | 20,203                             |
| Other Purposes                             | 111,273                            |
| Unrestricted                               | <u>2,915,135</u>                   |
| <i>Total Net Assets</i>                    | <u><u>\$ 3,061,771</u></u>         |

See accompanying notes to the basic financial statements

**Stark County District Library, Stark County**  
*Statement of Activities - Modified Cash Basis*  
For the Year Ended December 31, 2011

|   | Program Cash Receipts |                                |                                    |                                  | Net (Disbursements)                |
|---|-----------------------|--------------------------------|------------------------------------|----------------------------------|------------------------------------|
|   | Cash Disbursements    | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Receipts and Changes in Net Assets |
| <b>Governmental Activities</b>                              |                       |                                |                                    |                                  |                                    |
| Library Services:   |                       |                                |                                    |                                  |                                    |
| Public Service and Programs                                 | \$ 6,304,432          | \$ 295,146                     | \$ 40,206                          | \$ -                             | \$ (5,969,080)                     |
| Collection Development and Processing                       | 1,980,090             | -                              | -                                  | -                                | (1,980,090)                        |
| Support Services:   |                       |                                |                                    |                                  |                                    |
| Facilities Operation and Maintenance                        | 1,274,592             | -                              | -                                  | -                                | (1,274,592)                        |
| Information Services  | 554,108               | -                              | -                                  | -                                | (554,108)                          |
| Business Administration                                     | 1,423,569             | -                              | -                                  | -                                | (1,423,569)                        |
| Capital Outlay  | 233,872               | -                              | -                                  | 147,557                          | (86,315)                           |
| <i>Total Governmental Activities</i>                        | <u>\$ 11,770,663</u>  | <u>\$ 295,146</u>              | <u>\$ 40,206</u>                   | <u>\$ 147,557</u>                | (11,287,754)                       |
| <b>General Receipts</b>                                     |                       |                                |                                    |                                  |                                    |
|   |                       |                                |                                    |                                  |                                    |
| Property Taxes Levied for General Purposes                  |                       |                                |                                    |                                  | 4,095,536                          |
| Public Library Fund   |                       |                                |                                    |                                  | 6,678,554                          |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                |                                    |                                  | 968,909                            |
| Interest  |                       |                                |                                    |                                  | 5,199                              |
| Miscellaneous   |                       |                                |                                    |                                  | 80,525                             |
| <i>Total General Receipts</i>                               |                       |                                |                                    |                                  | <u>11,828,723</u>                  |
| Change in Net Assets  |                       |                                |                                    |                                  | 540,969                            |
| <i>Net Assets Beginning of Year</i>                         |                       |                                |                                    |                                  | <u>2,520,802</u>                   |
| <i>Net Assets End of Year</i>                               |                       |                                |                                    |                                  | <u>\$ 3,061,771</u>                |

See accompanying notes to the basic financial statements

**Stark County District Library, Stark County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2011

|  | General             | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                     |                     |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,469,871        | \$ 595,387          | \$ 146,636                     | \$ 2,211,894                   |
| Investments                                | -                   | 849,877             | -                              | 849,877                        |
| <i>Total Assets</i>                        | <u>\$ 1,469,871</u> | <u>\$ 1,445,264</u> | <u>\$ 146,636</u>              | <u>\$ 3,061,771</u>            |
| <b>Fund Balances</b>                       |                     |                     |                                |                                |
| Restricted                                 | \$ -                | \$ -                | \$ 74,258                      | \$ 74,258                      |
| Committed                                  | -                   | -                   | 72,378                         | 72,378                         |
| Assigned                                   | 568,186             | 1,445,264           | -                              | 2,013,450                      |
| Unassigned (Deficit)                       | 901,685             | -                   | -                              | 901,685                        |
| <i>Total Fund Balances</i>                 | <u>\$ 1,469,871</u> | <u>\$ 1,445,264</u> | <u>\$ 146,636</u>              | <u>\$ 3,061,771</u>            |

See accompanying notes to the basic financial statements.

**Stark County District Library, Stark County**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

|  | General             | Capital<br>Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                     |                     |                                |                                |
| Property and Other Local Taxes                       | \$ 4,095,536        | \$ -                | \$ -                           | \$ 4,095,536                   |
| Public Library Fund                                  | 6,678,554           | -                   | -                              | 6,678,554                      |
| Intergovernmental                                    | 1,084,978           | -                   | -                              | 1,084,978                      |
| Patron Fines and Fees                                | 236,599             | -                   | -                              | 236,599                        |
| Services Provided to Other Entities                  | 58,547              | -                   | -                              | 58,547                         |
| Contributions, Gifts and Donations                   | 18,567              | -                   | 53,127                         | 71,694                         |
| Earnings on Investments                              | 2,005               | 477                 | 2,717                          | 5,199                          |
| Miscellaneous  | 80,525              | -                   | -                              | 80,525                         |
| <i>Total Receipts</i>                                | <u>12,255,311</u>   | <u>477</u>          | <u>55,844</u>                  | <u>12,311,632</u>              |
| <b>Disbursements</b>                                 |                     |                     |                                |                                |
| Current:   |                     |                     |                                |                                |
| Library Services:                                    |                     |                     |                                |                                |
| Public Service and Programs                          | 6,302,047           | -                   | 2,385                          | 6,304,432                      |
| Collection Development and Processing                | 1,966,999           | -                   | 13,091                         | 1,980,090                      |
| Support Services:                                    |                     |                     |                                |                                |
| Facilities Operation and Maintenance                 | 1,274,592           | -                   | -                              | 1,274,592                      |
| Information Services                                 | 554,108             | -                   | -                              | 554,108                        |
| Business Administration                              | 1,416,669           | -                   | 6,900                          | 1,423,569                      |
| Capital Outlay                                       | 212,468             | 3,501               | 17,903                         | 233,872                        |
| <i>Total Disbursements</i>                           | <u>11,726,883</u>   | <u>3,501</u>        | <u>40,279</u>                  | <u>11,770,663</u>              |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>528,428</u>      | <u>(3,024)</u>      | <u>15,565</u>                  | <u>540,969</u>                 |
| <b>Other Financing Sources (Uses)</b>                |                     |                     |                                |                                |
| Transfer In  | -                   | 500,000             | -                              | 500,000                        |
| Transfer Out   | (500,000)           | -                   | -                              | (500,000)                      |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(500,000)</u>    | <u>500,000</u>      | <u>-</u>                       | <u>-</u>                       |
| <i>Net Change in Fund Balances</i>                   | 28,428              | 496,976             | 15,565                         | 540,969                        |
| <i>Fund Balances Beginning of Year</i>               | <u>1,441,443</u>    | <u>948,288</u>      | <u>131,071</u>                 | <u>2,520,802</u>               |
| <i>Fund Balances End of Year</i>                     | <u>\$ 1,469,871</u> | <u>\$ 1,445,264</u> | <u>\$ 146,636</u>              | <u>\$ 3,061,771</u>            |

See accompanying notes to the basic financial statements.

**Stark County District Library, Stark County**  
*Statement of Receipts, Disbursements And Changes*  
*In Fund Balance - Budget And Actual-Budgetary Basis*  
*General Fund*  
*For The Year Ended December 31, 2011*

|  | <u>Budgeted Amounts</u> |                         |                         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|-------------------------|-------------------------|---|
|  | <u>Original</u>         | <u>Final</u>            | <u>Actual</u>           |   |
| <b>Receipts</b>                                      |                         |                         |                         |   |
| Property and Other Local Taxes                       | \$4,730,932             | \$4,730,932             | \$4,095,536             | (\$635,396)   |
| Public Library Fund                                  | 7,022,281               | 6,678,554               | 6,678,554               | -   |
| Intergovernmental                                    | 404,709                 | 338,601                 | 1,084,978               | 746,377   |
| Patron Fines and Fees                                | 226,000                 | 226,000                 | 236,599                 | 10,599  |
| Services Provided Other Entities                     | 47,500                  | 58,547                  | 58,547                  | -   |
| Contributions, Gifts and Donations                   | 10,500                  | 17,600                  | 18,567                  | 967   |
| Earnings on Investments                              | 2,000                   | 2,000                   | 2,005                   | 5   |
| Miscellaneous  | 50,000                  | 79,861                  | 80,525                  | 664   |
| <i>Total Receipts</i>                                | <u>12,493,922</u>       | <u>12,132,095</u>       | <u>12,255,311</u>       | <u>123,216</u>  |
| <b>Disbursements</b>                                 |                         |                         |                         |   |
| Salaries   | 6,152,755               | 6,152,755               | 5,921,363               | 231,392   |
| Employee Fringe Benefits                             | 2,625,676               | 2,625,676               | 2,515,697               | 109,979   |
| Purchased and Contracted Services                    | 1,955,383               | 1,951,383               | 1,890,203               | 61,180  |
| Library Materials and Information                    | 1,428,227               | 1,428,227               | 1,411,578               | 16,649  |
| Supplies   | 270,892                 | 270,892                 | 249,541                 | 21,351  |
| Other  | 345,150                 | 349,150                 | 42,339                  | 306,811   |
| Capital Outlay                                       | 608,678                 | 608,678                 | 264,348                 | 344,330   |
| <i>Total Disbursements</i>                           | <u>13,386,761</u>       | <u>13,386,761</u>       | <u>12,295,069</u>       | <u>1,091,692</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(892,839)</u>        | <u>(1,254,666)</u>      | <u>(39,758)</u>         | <u>1,214,908</u>  |
| <b>Other Financing Uses</b>                          |                         |                         |                         |   |
| Transfers Out  | -                       | -                       | (500,000)               | (500,000)   |
| <i>Total Other Financing Uses</i>                    | <u>-</u>                | <u>-</u>                | <u>(500,000)</u>        | <u>(500,000)</u>  |
| <i>Net Change in Fund Balance</i>                    | (892,839)               | (1,254,666)             | (539,758)               | 714,908   |
| <b>Prior Year Encumbrances Appropriated</b>          | 472,718                 | 472,718                 | 472,718                 | -   |
| <b>Fund Balance Beginning of Year</b>                | <u>968,726</u>          | <u>968,726</u>          | <u>968,726</u>          | <u>-</u>  |
| <b>Fund Balance End of Year</b>                      | <u><u>\$548,605</u></u> | <u><u>\$186,778</u></u> | <u><u>\$901,686</u></u> | <u><u>\$714,908</u></u>                                 |

See accompanying notes to the basic financial statements

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**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

Stark County District Library, Stark County, Ohio, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Stark County Commissioners and Common Pleas Judges. Appointments are for seven year terms, and members serve without compensation. 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.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards, and agencies that are not legally separate from the Library.

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

The Library participates in one joint venture organization, Stark Library Information Consortium. This organization is described in Note 14 of the Notes to the Basic Financial Statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Accounting**

As discussed further below, the financial statements of the 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.

The Library's basic financial statements consist of government-wide financial 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.

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2011.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation and Accounting (continued)**

The Statement of Net Assets presents the cash and investment balances of the governmental activities of the Library at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's 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 the Library 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 the Library's general receipts.

Fund Financial Statements – During the year, the Library segregates transactions related to certain Library 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 the Library 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. Non-major funds are aggregated and presented in a single column.

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's 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.

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.

**Fund Accounting**

The Library 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.

Governmental Funds:

Governmental funds are financed primarily from taxes, 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 the Library's major Governmental Funds:

STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

*General Fund* is used to account for the general operating revenues and expenditures of the Library not specifically required to be recorded elsewhere. The primary revenue sources include Public Library Fund, levy receipts, patron fines and fees, intergovernmental revenues, and interest.

*Capital Projects Fund* is used to account for money for current and future Library projects, as established by the Board of Trustees.

**Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function, and object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**Cash and Investments**

Library records identify the purchase of specific investments by specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an original maturity 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. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.

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, respectively.

During fiscal year 2011, investments were limited to STAROhio.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Investments (continued)**

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2011.

**Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**1. Nonspendable**

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**2. Restricted**

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**4. Assigned**

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balance (continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 modified cash basis of accounting the Library uses.

**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. The Library applies restricted resources first when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Interfund Transactions**

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. The General Fund transferred \$500,000 to the Capital Projects Fund for future Library operations, capital purchases and capital projects.

**Inventory**

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The Library had no extraordinary items. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library had no special items.

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For 2011, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 did not have an effect on beginning net assets as previously reported other than reclassifications between restricted and unrestricted net asset classifications in the governmental activities.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$568,186 for the General Fund. There was no outstanding advance at year end.

**5. DEPOSITS AND INVESTMENTS**

State statues classify monies held by the Library into three categories: Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Library 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 of Trustees 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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (continued)**

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Fiscal Officer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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) of this section 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 (STAROhio); and,
8. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

The Library may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is not default of principal, interest, or coupons; and,
3. Obligations of the Library.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. 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 the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds deposited with the financial institution or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository pursuant to an award of Library funds shall be required to pledge as security for repayment of all public moneys eligible securities of aggregate market value equal to the required values.

**Deposits.** At year-end, the carrying amount of the Library's deposits was \$2,211,199 and the bank balance was \$2,509,009. Of the bank balance \$775,778 was covered by Federal depository insurance. \$1,733,231 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust department or agent in the Library's name and all State statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library 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 Library 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.

At year end the Library had \$695 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the Financial Statements.

**Investments.** Investments are reported at fair value. As of December 31, 2011, the Library had the following investments:

|           | Investment Maturities |                  |
|-----------|-----------------------|------------------|
|           | Fair Value            | Less than 1 year |
| STAR Ohio | \$849,877             | \$849,877        |

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. To minimize this risk the Library purchases all investments with the intention to hold until maturity. The Library also generally limits security purchases to those that mature within five years of the settlement date.

**Credit Risk** for investments is the risk that, in the event of the failure of the counterpart to a transaction, the Library will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. STAROhio carries a rating of AAAM by Standard & Poor's.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (continued)**

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Library's investment policy requires diversification of the portfolio but only states that the investments should be distributed as evenly as possible among the various instruments and institutions. The following is the Library's allocation as of December 31, 2011:

| <u>Investment Issuer</u> | <u>Percentage of Investments</u> |
|--------------------------|----------------------------------|
| STAR Ohio                | 100.0%                           |

**6. PUBLIC LIBRARY FUND**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted by the State of Ohio as the funding mechanism for Ohio public libraries in January 2008. The PLF is a fixed 2.22% of the total General Revenue Fund tax receipts from the preceding month and is distributed to each county monthly through an equalization formula. However, the 2009-2011 State of Ohio biennium budget temporarily reduced the Public Library Fund to 1.97 percent of the total GRF tax receipts and HB153 the 2011-2013 State of Ohio biennium budget alters the PLF funding structure and allocation formula by reducing the Public Library Fund to 95 percent of the Fiscal Year 2011 PLF distribution for each of the next 2 years and also reduces and/or eliminates the Tangible Personal Property Tax (TPPT) replacement. Also, the PLF is further reduced by an additional 1.5 percent (\$5,189,406) for the calendar year 2012 with the transfer of PLF monies to the OPLIN Technology Fund and to the Library for the Blind Fund.

The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, full-time equivalent employees, expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. During 2011 the Library received \$6,678,554 or 54.3 percent of the Library's annual operating revenue from this funding source.

**7. PROPERTY TAX**

Property taxes include amounts levied against all real property and public utility property located in the taxing district of the Library. Property tax receipts received during 2011 for real property and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2011 with real property taxes.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**7. PROPERTY TAX (continued)**

The full tax rate for all Library operations for the year ended December 31, 2011, was \$1.00 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2011 property tax receipts were based are as follows:

|                               |                        |
|-------------------------------|------------------------|
| Real Property                 |                        |
| Residential                   | \$3,386,603,240        |
| Agriculture                   | 143,970,440            |
| Commercial/Industrial/Mineral | 1,007,001,550          |
| Public Utility Property       |                        |
| Real                          | 2,303,360              |
| Personal                      | 209,010,220            |
| Total Assessed Value          | <u>\$4,748,888,810</u> |

Property taxes are reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental receipts.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**8. DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of 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 in nature to, but less than, the Traditional Pension 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 Pension 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) 222-5601 or 800-222-7377.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (continued)**

For the year ended December 31, 2011, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2011 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2011.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$813,663, \$805,875, and \$897,156 respectively.

**9. POST-EMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides a cost-sharing post-employment health care plan to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No.45*. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2011 local government employer contribution rate was 14.00 percent of covered payroll. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of the contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries.

The Stark County District Library contributions for 2011, 2010, and 2009 which were used to fund post-employment benefits were \$232,464, \$293,654, and \$376,413. The Library has paid all contributions required through December 31, 2011.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

**10. RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, the Library obtained commercial insurance. Property insurance was for \$45,440,669 with a \$2,500 deductible. Valuable papers and records was for \$19,019,566 with a \$1,000 deductible. General liability for each occurrence is \$1,000,000 with an aggregate of \$2,000,000 limit and excess liability insurance with a \$5,000,000 limit. Automobile liability has a \$1,000,000 combined single limit of liability.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**10. RISK MANAGEMENT (continued)**

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation coverage is provided by the State. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**11. LEASES**

The Library leases buildings and a maintenance vehicle and disbursed \$37,792 to pay lease costs for the year ended December 31, 2011.

The Library leases one of its facilities under a 10-year operating lease agreement with a required aggregate monthly lease payment of \$1,794 for the period June 30, 2002 through June 30, 2012 and another facility under a 5-year operating lease agreement with a monthly payment of \$1,000 per month for the years 2011-2014. In July 2011 the Library contracted to lease a facility for \$600 per month for the period July-December. In December 2011 the Library leased a maintenance vehicle for 36 months with a monthly payment of \$764.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**12. FUND BALANCES**

Fund balance is classified as restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances              | General            | Capital<br>Projects | Other<br>Governmental<br>Funds | Total              |
|----------------------------|--------------------|---------------------|--------------------------------|--------------------|
| <b>Restricted for</b>      |                    |                     |                                |                    |
| Professional Service       | \$ -               | \$ -                | \$5,700                        | \$5,700            |
| Library Programs           | -                  | -                   | 20,719                         | 20,719             |
| Library Materials          | -                  | -                   | 24,879                         | 24,879             |
| Capital Improvements       | -                  | -                   | 22,960                         | 22,960             |
| <i>Total Restricted</i>    | -                  | -                   | 74,258                         | 74,258             |
| <b>Committed to</b>        |                    |                     |                                |                    |
| Building Renovation        | \$ -               | \$ -                | \$500                          | \$500              |
| Library Materials          | -                  | -                   | 47,190                         | 47,190             |
| Capital Improvements       | -                  | -                   | 24,688                         | 24,688             |
| <i>Total Committed</i>     | -                  | -                   | 72,378                         | 72,378             |
| <b>Assigned to</b>         |                    |                     |                                |                    |
| Capital Improvements       | \$ -               | \$1,445,264         | \$ -                           | \$1,445,264        |
| Encumbrances for 2011      | 568,186            | -                   | -                              | 568,186            |
| <i>Total Assigned</i>      | 568,186            | 1,445,264           | -                              | 2,013,450          |
| <b>Unassigned</b>          | \$901,685          | \$ -                | \$ -                           | \$901,685          |
| <i>Total Fund Balances</i> | <u>\$1,469,871</u> | <u>\$1,445,264</u>  | <u>\$146,636</u>               | <u>\$3,061,771</u> |

**13. SUBSEQUENT EVENTS**

A three year labor agreement effective April 1, 2012 to March 31, 2015 was completed and ratified by the Service Employees International Union (SEIU) District 1199 and the Stark County District Library Board of Trustees.

The Library signed a 12 month facility lease agreement for the period January-December 2012 at \$600 per month.

The Library has made many budget reductions and will continue to monitor expenditures for 2012. The Library is committed to maintain long term sustainability and will also continue to search for additional funding to be able to provide the service our customers expect.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2011  
(Continued)**

**14. JOINT VENTURE**

The Library entered into a contract with the Massillon Public Library and the Louisville Public Library to form the Stark Libraries Information Consortium (SLIC). SLIC Executive Directors Council is the policy making Board for SLIC. Its members consist of the Directors, or their liaisons, of the member libraries. Directors are the voting members. The Stark County District Library purchased a new circulation system in 2007 called Millennium to improve customer access to library collections and allow access to additional items. This system is used in conjunction with Massillon Public Library and Louisville Public Library as part of the SLIC. The system hardware and software utilized by SLIC is titled to the Library. SLIC is not accumulating significant financial resources or experiencing fiscal stress, which would cause additional financial benefit or burden to the Library. SLIC funding comes from the three member libraries and the Library is responsible for dividing the cost on the other members based on a percentage of circulations. Complete financial information of SLIC can be obtained from Stark County District Library.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Stark County District Library  
Stark County  
715 Market Avenue North  
Canton, Ohio 44702

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 Stark County District Library, Stark County, (the Library) as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 11, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles, and wherein we noted the Library adopted Governmental Accounting Standards Board Statement No. 54. 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 the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **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 management, the audit committee, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

July 11, 2012

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2010-001       | Finding Repaid Under Audit- Public Funds Illegally Expended | Yes              |  |
| 2010-002       | Finding Repaid Under Audit- Public Funds Illegally Expended | Yes              |  |

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# Dave Yost • Auditor of State

STARK COUNTY DISTRICT LIBRARY

STARK 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  
AUGUST 02, 2012