



Dave Yost • Auditor of State

**STOW-MUNROE FALLS PUBLIC LIBRARY
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stow-Munroe Falls Public Library
Summit County
3512 Darrow Road
Stow, Ohio 44224

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2010, 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 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 cash financial position of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, Ohio, as of December 31, 2010, and the respective changes in 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 2010 the Stow-Munroe Falls Public 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 June 15, 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.



Dave Yost
Auditor of State

June 15, 2012

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

This discussion and analysis of the Stow-Munroe Falls Public Library (Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010, within the limitations of the Library's 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 2010 are as follows:

Net assets of governmental activities decreased \$73,034 or 9.778 percent. The decrease in net assets was primarily due to a decrease in cash and cash equivalents. Cash disbursements exceeded cash receipts for 2010.

The Library's general receipts are primarily Public Library Funds ("PLF") reported as Intergovernmental on the financial statements. These receipts represent 54.904 percent of the total cash received for governmental activities during the year. In 2010, the Library received \$91,545 less PLF in 2010 than 2009.

The Stow-Munroe Falls Library Board of Trustees amended the following policies:

1. Meeting Room Policy
2. Fines and Fees Policy
3. Job Classifications
4. Organization Chart
5. Insurance

The Stow-Munroe Falls Public Library voters passed a levy in November 2005 which generated \$792,802 in revenue in 2010. These receipts represent 40.047 percent of the total cash received for governmental activities during the year.

On May 4, 2010, the Stow-Munroe Falls Public Library voters approved a 2-mill continuous library operating levy. The 2-mill generates \$1,978,835 Tax Year 2010/Collection Year 2011 per Summit County Budget Commission Certification of Tax Levy dated September 10, 2010.

Per Board Motion 100517-5 the Board of Trustees approved the Building and Grounds Committee to initiate the necessary steps to obtain a comprehensive evaluation of both roofs and to then obtain formal bids to replace or repair same.

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 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

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
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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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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. 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 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 taxes and PLF.

In the statement of net assets and the statement of activities the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

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 reported in one category: governmental.

Governmental Funds – The Library's activities are reported in 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 Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements, therefore there are no reconciliations presented with the governmental fund financial statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2010 on a cash basis compared to 2009. Certain net asset reclassifications have been reclassified in the governmental activities for 2009 to conform to 2010 presentation in accordance with GASB Statement No. 54.

(Table 1)
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Cash and Cash Equivalents	\$673,868	\$746,902
 Net Assets		
Unrestricted	\$673,868	\$746,902
Total Net Assets	\$673,868	\$746,902

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Table 2 reflects the changes in net assets in 2010 compared to 2009.
(Table 2)

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$80,173	\$82,702
General Receipts:		
Unrestricted Gifts and Contributions	9,089	5,363
Property Taxes Levied for General Purposes	792,802	792,646
Grants and Entitlements Not Restricted to Specific Programs	1,086,935	1,177,595
Interest	620	1,681
Miscellaneous	10,065	8,053
Total General Receipts	<u>1,899,511</u>	<u>1,985,338</u>
Total Receipts	<u>1,979,684</u>	<u>2,068,040</u>
Disbursements:		
Library Services:		
Public Service and Programs	958,344	1,016,750
Collection Development and Processing	453,170	461,318
Support Services:		
Facilities Operation and Management	410,493	441,247
Business Administration	222,455	215,109
Capital Outlay	8,256	23,416
Total Disbursements	<u>2,052,718</u>	<u>2,157,840</u>
Increase (Decrease) in Net Assets	(73,034)	(89,800)
Net Assets, January 1	746,902	836,702
Net Assets, December 31	<u><u>\$673,868</u></u>	<u><u>\$746,902</u></u>

Program receipts represent only 4.05 percent of total receipts for the year 2010 and only 3.99 percent of total receipts for the year 2009. Program receipts are primarily comprised of patron fines and fees.

General receipts represent 95.95 percent of the Library's total receipts for the year 2010 and 96.01 percent of the Library's total receipts for the year 2009. State and federal grants and entitlements (PLF) make up majority of the balance of the Library's general receipts; 57.22 percent for the year 2010 and 59.31 percent for the year 2009. Other receipts are very insignificant and somewhat unpredictable revenue sources. Earnings on Investments became a smaller revenue source during the 2010 period as the interest rate on investments and amount available for investment decreased.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, and business administration represent the costs of running the Library.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 12, 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 Public Service and Programs which account for 46.69 percent, of all governmental disbursements. The next column of the statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service 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 money provided by the State and local tax payers. 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 of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Library Services:				
Public Service and Programs	\$958,344	\$878,171	\$1,016,750	\$934,048
Collection Development and Processing	453,170	453,170	461,318	461,318
Support Services:				
Facilities Operation and Maintenance	410,493	410,493	441,247	441,247
Collection Development and Processing	222,455	222,455	215,109	215,109
Capital Outlay	8,256	8,256	23,416	23,416
Total Expenses	\$2,052,718	\$1,972,545	\$2,157,840	\$2,075,138

The dependence upon PLF and Property Tax receipts is apparent as over 96 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts in 2010 of \$1,979,684 and disbursements of \$2,052,718. The fund balance of the General Fund decreased \$66,851 during 2010. With the passage of the operating levy in May 2010, the Library is confident of its financial condition and its ability to provide continued and expanded services to its public.

The Public Library Funds are reported on the Financial Statements as intergovernmental revenue. The Building Fund is for monies set aside by the Library Board of Trustees specifically for major capital and technology improvements.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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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.

During 2010, the Library's General Fund budget was stable. Final disbursements were budgeted at \$2,109,145 while actual disbursements were \$2,092,725. After the 2-mill levy passed in May, the Library Board of Trustees approved to appropriate \$50,000 for library materials at the May Board meeting.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on PLF. The uncertain future of the PLF continues to be a major challenge facing the Library.

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 Linda Sutherland, Fiscal Officer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

Stow-Munroe Falls Public Library, Summit County

Statement of Net Assets - Cash Basis

December 31, 2010

	Governmenta <u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$673,868</u>
Net Assets	
Unrestricted	<u>673,868</u>
<i>Total Net Assets</i>	<u>\$673,868</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2010

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$958,344	\$80,173	(\$878,171)
Collection Development and Processing	453,170		(453,170)
Support Services:			
Facilities Operation and Maintenance	410,493		(410,493)
Business Administration	222,455		(222,455)
Capital Outlay	8,256		(8,256)
<i>Total Governmental Activities</i>	<u>\$2,052,718</u>	<u>\$80,173</u>	<u>(1,972,545)</u>
General Receipts			
Property Taxes Levied for General Purposes			792,802
Grants and Entitlements not Restricted to Specific Programs			1,086,935
Unrestricted Gifts and Contributions			9,089
Interest			620
Miscellaneous			10,065
		<i>Total General Receipts</i>	1,899,511
		Change in Net Assets	(73,034)
		<i>Net Assets Beginning of Year</i>	<u>746,902</u>
		<i>Net Assets End of Year</i>	<u><u>\$673,868</u></u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2010

	General	Building Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$440,051	\$233,817	\$673,868
Fund Balances			
Restricted	\$83		\$83
Assigned	46,190	\$233,817	280,007
Unassigned	393,778		393,778
<i>Total Fund Balances</i>	\$440,051	\$233,817	\$673,868

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Building Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$792,802		\$792,802
Intergovernmental	1,086,935		1,086,935
Patron Fines and Fees	80,173		80,173
Contributions, Gifts and Donations	9,089		9,089
Earnings on Investments	620		620
Miscellaneous	10,065		10,065
<i>Total Receipts</i>	<u>1,979,684</u>	<u>0</u>	<u>1,979,684</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	958,344		958,344
Collection Development and Processing	453,170		453,170
Support Services:			
Facilities Operation and Maintenance	410,493		410,493
Business Administration	216,272	\$6,183	222,455
Capital Outlay	8,256		8,256
<i>Total Disbursements</i>	<u>2,046,535</u>	<u>6,183</u>	<u>2,052,718</u>
<i>Net Change in Fund Balances</i>	<u>(66,851)</u>	<u>(6,183)</u>	<u>(73,034)</u>
<i>Fund Balances Beginning of Year</i>	<u>506,902</u>	<u>240,000</u>	<u>746,902</u>
<i>Fund Balances End of Year</i>	<u><u>\$440,051</u></u>	<u><u>\$233,817</u></u>	<u><u>\$673,868</u></u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budgetary Basis
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$803,169	\$815,481	\$792,802	(\$22,679)
Intergovernmental	1,036,553	1,042,213	1,086,935	44,722
Patron Fines and Fees	57,000	57,000	80,173	23,173
Contributions, Gifts and Donations	500	500	9,089	8,589
Earnings on Investments	1,000	1,000	620	(380)
Miscellaneous	0	0	10,065	10,065
<i>Total Receipts</i>	<u>1,898,222</u>	<u>1,916,194</u>	<u>1,979,684</u>	<u>63,490</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	996,976	987,489	984,160	3,329
Collection Development and Processing	398,241	461,977	459,168	2,809
Support Services:				
Facilities Operation and Maintenance	436,774	424,325	419,039	5,286
Business Administration	222,154	227,054	222,102	4,952
Capital Outlay	5,000	8,300	8,256	44
<i>Total Disbursements</i>	<u>2,059,145</u>	<u>2,109,145</u>	<u>2,092,725</u>	<u>16,420</u>
<i>Net Change in Fund Balance</i>	(160,923)	(192,951)	(113,041)	79,910
<i>Fund Balance Beginning of Year</i>	457,587	457,587	457,587	0
Prior Year Encumbrances Appropriated	49,314	49,314	49,314	0
<i>Fund Balance End of Year</i>	<u>\$ 345,978</u>	<u>\$ 313,950</u>	<u>\$ 393,860</u>	<u>\$ 79,910</u>

See accompanying notes to the basic financial statements

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Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 1 – Description of the Library and Reporting Entity

Stow-Munroe Falls Public Library, Summit County, (the Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Stow Munroe Falls Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Stow-Munroe Falls City School District.

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; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library 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 the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Stow-Munroe Falls Public Library and Stow-Munroe Falls Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This 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 cash basis of accounting.

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Library's 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.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the library. Governmental activities generally are financed through taxes, intergovernmental receipts, and charges for services.

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each 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. 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 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.

B. 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. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts and charges for services. 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:

General Fund - The general fund is the general operating fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Building Fund - The building fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the 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. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this 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

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's 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 and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library 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.

E. Cash and Cash Equivalents

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."

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

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 receipt or negative receipts (contra revenue), respectively.

During 2010, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2010.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2010 amounted to \$620 which includes \$297 from the Building fund.

F. Inventory

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

G. 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.

H. 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 the Library's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

J. 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 or other governments. The Library applies restricted resources first when an expense is incurred for purposes for which restricted net assets are available.

K. Fund Balance

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:

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.

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

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.

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.

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.

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 3 – Change in Accounting Principle

For 2010, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental 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.

Note 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as an assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$46,190 for 2010.

Note 5 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Active 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 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 may 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,

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 5 - Deposits and Investments (continued)

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).

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.

At year end, the Library had \$300 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, none of the Library's bank balance of \$141,053 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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.

Stow-Munroe Falls Public Library

Summit County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2010*

Note 5 - Deposits and Investments (continued)

Investments

The Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2010		
Star Ohio	<u>\$573,017</u>	“Less Than 1 Year”

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. The Library’s investment policy addresses interest rate risk by requiring that the Library’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14 (M) (2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county’s prior intangibles tax of PLF revenues, and its population. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees, general fund 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.

The Public Library Funds are reported on the Financial Statements as intergovernmental revenue.

Note 7 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Stow Munroe Falls City School District. Property tax receipts received in 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 2, 2010 on the assessed values as of January 2, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Stow-Munroe Falls Public Library

Summit County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2010*

Note 7 - Property Taxes (continued)

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

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2010 is zero percent

The full tax rate for all Library operations for the year ended December 31, 2010, was \$1.00 (1mill) per \$1,000 of assessed value. Per Summit County Budget Commission Certification of Tax Levy Tax Year 2009/Collection Year 2010, the assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	\$980,376,280
Public Utility Property	\$9,041,500
Tangible Personal Property	<u>\$896,515</u>
Total	<u><u>\$990,314,295</u></u>

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

Note 8- 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 2010, the Library contracted for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
US Specialty Insurance	Building and	
	Personal Property	\$8,919,553
	Theft	5,000
	Employee	
	Dishonesty	250,000
	General liability	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 8 - Risk Management (continued)

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. The System administers and pays all claims.

Note 9 - Defined Benefit Pension Plan

Plan Description: The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year); and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and 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, and survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and the 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

OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2010, 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 2010 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, 2010. The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2010, 2009, and 2008 is \$158,638, \$168,424, and \$168,703 respectively; the full amounts have been contributed for all three years.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage 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 post-retirement 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-retirement health care based on authority granted by State statute. The 2010 local government employer contribution rate was 14.00 percent of covered payroll. The portion of employer contributions allocated to health care for members of the Traditional Plan was 5.5 percent from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The portion of the contributions allocated to health care for members of the Combined Plan was 4.73 percent from January 1 through February 28, 2010 and 4.23 percent

Stow-Munroe Falls Public Library

Summit County

Notes to the Basic Financial Statements

For the Year Ended December 31, 2010

Note 10 - Postemployment Benefits (continued)

from March 1 through December 31, 2010. 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 Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were \$57,712, \$70,678, and \$84,351, respectively; 100 percent has been contributed for all years.

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.

Note 11 – Fund Balances

Fund balance is classified as nonspendable, 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:

<u>Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
Restricted for			
Grant	<u>\$83</u>	<u></u>	<u>\$83</u>
Assigned to			
Encumbrances	46,190		46,190
Capital	<u></u>	<u>233,817</u>	<u>233,817</u>
<i>Total Assigned to</i>	<u>46,190</u>	<u>233,817</u>	<u>280,007</u>
Unassigned			
Unencumbered	<u>393,778</u>	<u></u>	<u>393,778</u>
<i>Total Fund Balances</i>	<u><u>\$440,051</u></u>	<u><u>\$233,817</u></u>	<u><u>\$673,868</u></u>

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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

Stow-Munroe Falls Public Library
Summit County
3512 Darrow Road
Stow, Ohio 44224

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, (the Library) as of and for the year ended December 31, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 15, 2012, wherein we noted the Library followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, and 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 opinions 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 Finance/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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 15, 2012



Dave Yost • Auditor of State

STOW- MUNROE FALLS PUBLIC LIBRARY

SUMMIT 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
JULY 03, 2012**