



**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**



**Mary Taylor, CPA**  
Auditor of State



STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis .....	11
Statement of Activities – Modified Cash Basis .....	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances Governmental Funds.....	13
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Fund Balances Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Budget Basis General Fund .....	15
Notes to the Basic Financial Statements.....	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29

**This page intentionally left blank.**



# Mary Taylor, CPA

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 Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2006, 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 Stark County District Library, Stark County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2007, 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.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 18, 2007

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

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, 2006, 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 2006 are as follows:**

Net assets of governmental activities decreased \$2,014,321 or 29.44 percent, a significant change. The primary reason for the decrease in cash balances is the completion and opening of the Plain Community Branch on the new Glen Oak High School campus and the ongoing construction of the new Perry Sippo Branch in partnership with the Stark County Park District. The fund most affected by the decrease in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF) and the 1 mill, 5 year operating levy passed in 2004. These LLGSF and levy receipts represent 84.31 percent of the total cash received for governmental activities during the year which includes \$729,011 from reimbursement of insurance claim, which is presented as extraordinary item.

The Stark County District Library enjoyed an excellent year in 2006. The Library was named one of the 100 best libraries in the nation and sixth in population range from 250,000 to 499,999, according to Hennen's American Public Library Ratings (HAPLR). Circulation was 3.8 million items, an increase of 9.8 percent; 1.4 million people visited the library – a 16 percent increase; the total number of books, movies, music CDs, magazines, newspapers, and other items available for checkout increased by 8 percent; and attendance at public programs was up by 45 percent. In addition, more than a quarter of a million people used the Library's public-access computers in 2006, an increase of almost 17 percent over 2005.

The Stark County District Library opened a new branch on September 3, 2006, the Plain Community Branch in the Glen Oak High School building. This 20,000 sq.ft. public and school library houses a collection of 50,000 items, 36 public computers, wireless Internet access, a staff of 15, and meeting rooms for public and school use in an area of Stark County which the Library had previously served only with Bookmobiles.

The Library is improving its technology resources by upgrading computers and adding wireless Internet to many branches. The 2006 Summer Reading Club, a program which helps children maintain literacy skills during the long summer vacation, set records for participation and attendance. Research continues to show the value of early literacy programs such as summer reading and story times as they support school success, helping to ready children to participate in knowledge-based economy.

The new Perry Sippo Branch, being built in partnership with Stark County Park District, and replacing the Perry Heights Branch which was destroyed by fire in June 2002, began construction in 2006, and will open in May 2007. Other continuing partnerships with community agencies such as Job and Family Services and the Chamber of Commerce allow the Library to present programs such as the Job Workshops and Fair and the Local Government Leadership Academy.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

In addition, a Library Foundation has been incorporated to help support the Library's mission of Inspiring Ideas, Enriching Lives, and Creating Community. This foundation will create an alternative revenue stream to help support value-added programs such as community literacy.

A new, three-year Strategic Plan will be implemented beginning in 2007 which will address issues of library awareness, programming, customer service, and resource sharing. During implementation of the Library's first Strategic Plan, it entered into partnerships to build the new Plain and Perry Sippo branches, added public service staff, increased its collection, added service hours including Sunday hours for some locations, and held the library's first major book and author event with three nationally known authors.

Also, the Library Board of Trustees (May 8, 2006) and the Service Employees International Union Local 1199 (April 28, 2006) approved a new labor agreement that will expire on March 31, 2009.

Finally, the Library purchased property at 811 Cleveland Avenue North. This 9100 sq. ft. free span building on a one-acre parcel with parking lot, which aligns with the Main Library, will initially be used for library materials, building and maintenance storage.

### **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.



Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, 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 library and local government support.

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. Library and local government 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, Capital Projects Fund, and Perry Rebuilding Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$3,066,447	\$4,111,862
Investments	1,760,995	2,729,901
Total Assets	4,827,442	6,841,763
<b>Net Assets</b>		
Restricted for:		
Debt Service	257	515
Capital Outlay	1,700,788	1,988,727
Permanent Fund	15,773	19,431
Other Purposes	101,231	185,249
Unrestricted	3,009,393	4,647,841
Total Net Assets	\$4,827,442	\$6,841,763

As mentioned previously, net assets of governmental activities decreased \$ 2,014,321 or 29.44 percent during 2006. The primary reason for the decrease in cash balances is the completion and opening of the Plain Community Branch on the new Glen Oak High School campus and the ongoing construction of the new Perry Sippo Branch in partnership with the Stark County Park District.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Table 2 reflects the changes in net assets in 2006. A comparative analysis of government-wide data has been presented for years 2006 and 2005.

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

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 242,437	\$ 235,448
Operating Grants and Contributions	26,343	18,400
Capital Grants and Contributions	273,561	302,721
Total Program Receipts	<u>542,341</u>	<u>556,569</u>
General Receipts:		
Property and Other Local Taxes	4,358,475	4,322,047
Library and Local Government Support	8,247,623	8,335,409
Unrestricted Gifts and Contributions	13,097	13,807
Grants and Entitlements not Restricted to Specific Programs	566,759	501,970
Interest	367,830	192,554
Miscellaneous	126,480	52,287
Total General Receipts	<u>13,680,264</u>	<u>13,418,074</u>
Extraordinary Item:		
Insurance Payment (Perry Branch fire June 2002) from Westfield Insurance Co. for construction of new Perry Sippo Branch	729,011	
Total Receipts	<u>14,951,616</u>	<u>13,974,643</u>
Disbursements:		
Library Services:		
Public Service and Programs	6,981,856	6,071,160
Collection Development and Processing	2,851,638	2,334,063
Support Services:		
Facilities Operation and Maintenance	624,807	604,751
Information Services	456,387	426,532
Business Administration	1,259,581	1,197,151
Capital Outlay	4,791,668	640,619
Total Disbursements	<u>16,965,937</u>	<u>11,274,276</u>
Increase (Decrease) in Net Assets	(2,014,321)	2,700,367
Net Assets, Beginning of Year	6,841,763	4,141,396
Net Assets, End of Year	<u>\$ 4,827,442</u>	<u>\$ 6,841,763</u>

Program receipts of \$542,341 are primarily comprised of patron fines and fees, genealogy fees, maintenance fees, and capital grants.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

Virtually all of the Library's total receipts are General receipts, and of the total amount, 92.14 percent are Library and Local Government Support Fund 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.

**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 for public library services and programs, which account for 41.2 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 Receipt (Disbursement) 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 Library and Local Government Support 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 of Services 2006	Net Cost of Services 2006
Library Services	\$9,833,494	(\$9,567,294)
Support Services	2,340,775	(2,338,195)
Capital Outlay	4,791,668	(4,518,107)
<b>Total</b>	<b>\$16,965,937</b>	<b>(\$16,423,596)</b>

**The Library's Funds**

Total governmental funds had receipts of \$14,951,616 and disbursements of \$16,965,937. The greatest change within governmental funds occurred within the General Fund, and the primary reason for the decrease in cash balances is the completion and opening of the Plain Community Branch on the new Glen Oak High School campus and the ongoing construction of the new Perry Sippo Branch in partnership with the Stark County Park District.

**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 2006, there was no difference between final budgeted receipts and actual receipts.

Final disbursements were budgeted at \$18,022,162 while actual disbursements were \$17,403,593. The Library kept spending very close and in many instances under the budgeted amounts.

Stark County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

---

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding.

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted in 1985 by the State of Ohio incorporating the intangible tax into the State's personal income tax. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. However, due to the budget deficits in the State of Ohio, public libraries are susceptible to attempts by the State to divert the LLGSF for other uses.

The 2008-09 budget proposal by Ohio Gov. Ted Strickland eliminates the freeze in public library funding that has been in effect since 2001. The freeze on the Library and Local Government Support Fund (LLGSF) will remain in effect through 2007, however, the Governor has asked for a modest increase in the fund from the current \$458 million level to an estimated \$462 million in 2008 and \$464.9 million in 2009. The proposal by Gov. Strickland would broaden the fund's base to include all General Revenue taxes, including sales taxes, corporate franchise taxes and public utility taxes. Library funding would be 2.2 percent of General Revenue taxes and the name of the fund would change to the Local Libraries Fund (LLF).

The Library's cooperative building project with the Stark County Park District for the Exploration Gateway formerly called the Canalway Learning Center to replace the Perry Branch destroyed by fire in 2002 is ongoing with a projected opening in May 2007.

The Library also continues to explore new technology solutions for staff and patrons, including wireless internet, additional computer access for patrons, and improved telecommunications between library locations. Also, self checks for patrons are being installed at several branches.

The Library is exploring the purchase of a new circulation system in 2007. This major capital expenditure will improve patron access to library collections and allow access to additional items.

Health care costs continue to increase and the Library shall continue to pursue ways to stabilize or lower these costs.

**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, Clerk-Treasurer, Stark County District Library, 715 Market Avenue North, Canton, Ohio 44702-1018.

**This page intentionally left blank.**

**Stark County District Library, Stark County**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2006*

---

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,066,447
Investments	<u>1,760,995</u>
<i>Total Assets</i>	<u><u>\$ 4,827,442</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 1,700,788
Debt Service	257
Permanent Fund	15,773
Other Purposes	101,231
Unrestricted	<u>3,009,393</u>
<i>Total Net Assets</i>	<u><u>\$ 4,827,442</u></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, 2006

	General	Capital Projects	Perry Rebuilding	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,254,578	\$ 325,000	\$ 51,440	\$ 435,429	\$ 3,066,447
Investments	754,815	1,000,680	-	5,500	1,760,995
<i>Total Assets</i>	<u>\$ 3,009,393</u>	<u>\$ 1,325,680</u>	<u>\$ 51,440</u>	<u>\$ 440,929</u>	<u>\$ 4,827,442</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 1,778,820	\$ -	\$ 49,501	\$ 4,738	\$ 1,833,059
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,230,573	-	-	-	1,230,573
Special Revenue Funds	-	-	-	99,653	99,653
Debt Service Fund	-	-	-	257	257
Capital Projects Funds	-	1,325,680	1,939	323,668	1,651,287
Permanent Fund	-	-	-	12,613	12,613
<i>Total Fund Balances</i>	<u>\$ 3,009,393</u>	<u>\$ 1,325,680</u>	<u>\$ 51,440</u>	<u>\$ 440,929</u>	<u>\$ 4,827,442</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, 2006*

	General	Capital Projects	Perry Rebuilding	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 4,358,475	\$ -	\$ -	\$ -	\$ 4,358,475
Library and Local Government Support	8,247,623	-	-	-	8,247,623
Intergovernmental	630,182	-	-	1,906	632,088
Patron Fines and Fees	221,738	-	-	-	221,738
Services Provided to Other Entities	20,699	-	-	-	20,699
Contributions, Gifts and Donations	17,113	-	-	230,560	247,673
Earnings on Investments	363,152	-	-	4,678	367,830
Miscellaneous	126,416	-	-	63	126,479
<i>Total Receipts</i>	<u>13,985,398</u>	<u>-</u>	<u>-</u>	<u>237,207</u>	<u>14,222,605</u>
<b>Disbursements</b>					
Current:					
Library Services:					
Public Service and Programs	6,979,280	-	-	2,576	6,981,856
Collection Development and Processing	2,842,835	-	-	8,803	2,851,638
Support Services:					
Facilities Operation and Maintenance	624,807	-	-	-	624,807
Information Services	456,387	-	-	-	456,387
Business Administration	1,254,812	-	4,761	8	1,259,581
Capital Outlay	3,466,652	-	880,504	444,512	4,791,668
<i>Total Disbursements</i>	<u>15,624,773</u>	<u>-</u>	<u>885,265</u>	<u>455,899</u>	<u>16,965,937</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,639,375)</u>	<u>-</u>	<u>(885,265)</u>	<u>(218,692)</u>	<u>(2,743,332)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	927	-	-	-	927
Transfers Out	-	-	-	(927)	(927)
<i>Total Other Financing Sources (Uses)</i>	<u>927</u>	<u>-</u>	<u>-</u>	<u>(927)</u>	<u>-</u>
<i>Extraordinary Item:</i>					
Reimbursement of insurance claims	-	-	729,011	-	729,011
<i>Net Change in Fund Balances</i>	<u>(1,638,448)</u>	<u>-</u>	<u>(156,254)</u>	<u>(219,619)</u>	<u>(2,014,321)</u>
<i>Fund Balances Beginning of Year</i>	<u>4,647,841</u>	<u>1,325,680</u>	<u>207,694</u>	<u>660,548</u>	<u>6,841,763</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,009,393</u>	<u>\$ 1,325,680</u>	<u>\$ 51,440</u>	<u>\$ 440,929</u>	<u>\$ 4,827,442</u>
<i>Reserve for Encumbrances</i>	<u>\$ 1,778,820</u>	<u>\$ -</u>	<u>\$ 49,501</u>	<u>\$ 4,738</u>	<u>1,833,059</u>

See accompanying notes to the basic financial statements.

**STARK COUNTY DISTRICT LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property and other local taxes	\$4,730,962	\$4,358,475	\$4,358,475	\$ -
Library and local government support	8,247,623	8,247,623	8,247,623	-
Intergovernmental	69,247	630,182	630,182	-
Patrons, fines and fees	210,000	221,738	221,738	-
Services provided other entities	18,000	20,699	20,699	-
Contributions, gifts & donations	13,600	17,113	17,113	-
Earnings on investments	180,000	363,152	363,152	-
Miscellaneous	166,582	126,416	126,416	-
<b>Total Revenues</b>	<b>13,636,014</b>	<b>13,985,398</b>	<b>13,985,398</b>	<b>-</b>
<b>Expenditures:</b>				
Salaries	6,154,101	6,154,101	6,142,846	11,255
Employee fringe benefits	2,356,111	2,356,111	2,223,332	132,779
Purchased and contracted services	1,780,252	1,739,752	1,693,513	46,239
Library materials and information	3,122,851	3,122,851	3,355,941	(233,090)
Supplies	230,860	271,360	279,095	(7,735)
Other	144,905	144,905	41,401	103,504
Capital outlay	4,233,082	4,233,082	3,667,465	565,617
<b>Total Expenditures</b>	<b>18,022,162</b>	<b>18,022,162</b>	<b>17,403,593</b>	<b>618,569</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(4,386,148)</b>	<b>(4,036,764)</b>	<b>(3,418,195)</b>	<b>618,569</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	927	927
<b>Fund Balances at Beginning of Year</b>	<b>4,204,935</b>	<b>4,204,935</b>	<b>4,204,935</b>	<b>-</b>
<b>Fund Balances at End of Year</b>	<b>\$ (181,213)</b>	<b>\$ 168,171</b>	<b>\$ 787,667</b>	<b>\$ 619,496</b>

See notes to basic financial statements.

**This page intentionally left blank.**

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the 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.

**B. Basis of Presentation and Accounting**

As discussed further under Basis of Accounting 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 governmental 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, 2006.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

**B. Basis of Presentation and Accounting (Continued)**

The statement of net assets presents the financial condition 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. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular program. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and interest earned on grants and contributions required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the Library.

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 a more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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.

**C. 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 those through which most governmental functions typically are financed. The acquisition, use and balance of the Library's expendable financial resources are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. Under this focus, only the sources, uses and balances of current expendable financial resources are accounted for in the funds. The following are the Library's major Governmental Funds:

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

**C. 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 are library and local government support, levy receipts, patron fines and fees, intergovernmental revenues, and interest.

*Capital Projects Fund* is used to account for money designated for purpose of transferring unrestricted money for current and future Library projects, which was established by the Board of Trustees.

*Perry Rebuilding Fund* will be used, in addition to insurance monies and General Fund monies, for the construction of the new Perry/Sippo Branch Library. This Branch will be included as part of the Exploration Gateway which was previously called the Canalway Learning Center at Sippo Park and was opened in May 2007.

**D. 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 Clerk Treasurer. 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 Investments**

To improve cash management, cash received by the Library is pooled. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.

During fiscal year 2006, investments were limited to certificates of deposits and STAROhio.

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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

**E. Cash and Investments (Continued)**

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, 2006.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**G. Fund Balance Reserve**

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. As a result, encumbrances are recorded as reservations of fund balance.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling policies adopted by the Library or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. 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 (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**J. Inventory**

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

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence such as sale of land owned by Library.



**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**2. 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 a reservation of 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 \$1,778,820 for the general fund. There was no outstanding advances at year end.

**3. 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 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.

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 Clerk-Treasurer 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;

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

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.

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 treasurer 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 \$3,066,447 and the bank balance was \$3,567,995. Of the bank balance \$205,567 was covered by Federal depository insurance. \$3,362,428 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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

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

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.

**Investments.** Investments are reported at fair value. As of December 31, 2006, the Library had the following investments:

	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
STAR Ohio	<u>\$1,760,995</u>	<u>\$1,760,995</u>

**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.

**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, 2006:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
STAR Ohio	100%

**4. LIBRARY AND LOCAL GOVERNMENT SUPPORT**

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State's personal income tax. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates 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.

**5. PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in Stark County. Property tax receipts received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**5. PROPERTY TAX (continued)**

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2006, was \$1.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$3,175,507,990
Agriculture	111,088,810
Commercial/Industrial/Mineral	932,275,140
Public Utility Property	
Real	1,264,960
Personal	192,779,370
Tangible Personal Property	417,626,356
Total Assessed Value	<u>\$4,830,542,626</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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**6. 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 costsharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2006. The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2006 and 2005 were \$822,328 and \$777,146, respectively.

**7. POST-EMPLOYMENT 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 postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent annually for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**7. POST-EMPLOYMENT BENEFITS (continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional pension and combined plans was 369,214. The Stark County District Library contributions for 2006 which were used to fund post employment benefits were \$270,135. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively. The Library has paid all contributions required through December 31, 2006.

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, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**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 2006, the Library obtained commercial insurance. Property insurance was for \$49,596,891 with a \$2,500 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.

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.

**9. LEASES**

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement. The aggregate required monthly lease payment is \$1,598.45 with annual increases based on the consumer price index. Minimum rental payments required for the life of the lease is as follows:

2007	\$	19,181
2008		19,181
2009		19,182
2010		19,182
	\$	<u>76,726</u>

The Library leases another one of its facilities under a 10-year operating agreement with a required aggregate monthly lease payment of \$1,794 and another facility under a 5-year agreement with a required aggregate monthly lease payment of \$1,365. One other facility is leased under a month-to-month operating lease agreement. The aggregate monthly payment for the month-to-month lease is \$1,600. Facility rent payment was approximately \$75,870 in 2006.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006  
(Continued)**

**10. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2006, consisted of the following:

<u>Transfers From</u> Nongovernmental funds	<u>Transfers To General</u> <u>\$927</u>
--	---

The Bond Retirement Fund transferred \$927 to the General Fund based on a court order of the unexpended balance.

**11. SUBSEQUENT EVENTS**

The 2008-09 budget proposal by Ohio Gov. Ted Strickland eliminates the freeze in public library funding that has been in effect since 2001. The freeze on the Library and Local Government Support Fund (LLGSF) will remain in effect through 2007, however, the Governor has asked for a modest increase in the fund from the current \$458 million level to an estimated \$462 million in 2008 and \$464.9 million in 2009.

The revenue source for the LLGSF since 1985 has been based on a percentage (currently 5.7 percent) of personal income taxes. However, the proposal by Gov. Strickland would broaden the fund's base to include all General Revenue taxes, including sales taxes, corporate franchise taxes and public utility taxes. Library funding would be 2.2 percent of General Revenue taxes and the name of the fund would change to the Local Libraries Fund (LLF).

The new Perry Sippo Branch library opened on May 14, 2007 and the dedication was on June 8, 2007 which was exactly 5 years to the day when a fire destroyed the old Perry Branch library.

**This page intentionally left blank.**





# Mary Taylor, CPA

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 Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 18, 2007. 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted a certain matter that we reported to the Library's management in a separate letter dated May 18, 2007.

### **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 did note a certain matter that we reported to the Library's management in a separate letter dated May 18, 2007.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

May 18, 2007



**Mary Taylor, CPA**  
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  
JULY 19, 2007**