



Mary Taylor, CPA
Auditor of State

MASSILLON PUBLIC LIBRARY
STARK COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Massillon Public Library
Stark County
208 Lincoln Way East
Massillon, Ohio 44646

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 Massillon Public Library, Stark County, Ohio, (the Library), as of and for the year ended December 31, 2009, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, 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 Massillon Public Library, Stark County, Ohio, as of December 31, 2009, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, 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

November 1, 2010

Massillon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the Massillon Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, 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 2009 are as follows:

- Net assets of governmental activities increased \$35,096, or 2 percent, a slight change from the prior year. This variance is due to the state decrease in Public Library Fund (PLF) funds which resulted in reduced library hours, staffing and budget cuts.
- The Library's general receipts are primarily property taxes and the PLF. These receipts represent respectively 32 percent and 56 percent of the total cash received for governmental activities during the year. Property tax receipts decreased approximately 1 percent and PLF decreased approximately 17 percent due to severe State cuts in the PLF effective August 1st.

State revenues for public libraries had remained unchanged for many prior years. The State instituted severe budget cuts in mid-year 2009. As a result of this, the Library received \$276,845 less in Public Library funds, which is a 17 percent decrease.

- On November 1, Mary Schultz was contracted to serve as Interim Fiscal Officer. She was subsequently employed as the permanent Fiscal Officer on April 5, 2010.

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 Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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.

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

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

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2009, 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 activity. 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 taxes and the "PLF".

In the Statement of Net Assets and the Statement of Activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services and capital outlay. Benefits provided through governmental activities are not necessarily paid 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 categorized as governmental funds.

Massillon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the McClymond's Library Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. The McClymonds Library Corporation was subsequently dissolved in May 2010 and assets were transferred to the Massillon Public Library.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a modified cash basis.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Cash and Cash Equivalents	\$1,083,555	\$1,114,553
Cash in Segregated Accounts	14,722	-
Investments	412,663	361,291
Total Assets	<u>\$1,510,940</u>	<u>\$1,475,844</u>
Net Assets		
Capital Projects	\$75,760	\$177,344
Permanent Fund - Expendable	407,385	391,047
Permanent Fund - Nonexpendable	23,665	
Other Purposes	8,559	10,518
Unrestricted	995,571	896,935
Total Net Assets	<u>\$1,510,940</u>	<u>\$1,475,844</u>

As mentioned previously, net assets of governmental activities increased \$35,096 or 2 percent during 2009. The primary reasons contributing to the change in the cash balances are as follows:

- The Library's general receipts for the Public Library Fund ("PLF") decreased \$276,845 or approximately 17 percent for 2009 due to the severe State budget cuts in Public Library Funding and the decrease in the library's share of the formula used to determine the money distributed to the seven library systems in Stark County by the Stark County Commissioners.
- Cost decreases in 2009 included a salary reduction due to shortened staff hours effective August 17, 2009, and a corresponding reduction in fringe benefits, and a reduction in library materials purchased.

Massillon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2009 and 2008 for governmental activities.

Table 2
Statement of Activities

	Governmental Activities	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$51,470	\$44,642
Operating Grants and Contributions	23,220	39,123
Total Program Receipts:	74,690	83,765
General Receipts:		
Property Taxes	744,851	759,668
Intergovernmental Revenue	112,961	109,816
Grants and Entitlements not restricted	1,291,140	1,563,735
Unrestricted Gifts and Contributions Grants	50,000	12,240
Sale of Capital Assets	5,817	100
Interest	54,715	(72,189)
Miscellaneous	27,637	32,967
Total General Receipts	2,287,121	2,406,337
Total Receipts	2,361,811	2,490,102
Cash Disbursements:		
Library Services	2,260,418	2,396,372
Capital Outlay	66,297	378,635
Total Disbursements	2,326,715	2,775,007
Increase (Decrease) in Net Assets	35,096	(284,905)
Net Assets, January 1	1,475,844	1,760,749
Net Assets, December 31	\$1,510,940	\$1,475,844

Program receipts represent only 3 percent of total receipts and are solely comprised of charges for services and operating grants and contributions.

General receipts represent 97 percent of the Library's total receipts, and of this amount, 91 percent are unrestricted state entitlements ("PLF") and property taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Governmental Activities

If you look at the Statement of Activities on page 9, you will see that the first column listed on the statement of activities shows the major services provided by the Library. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for library services which account for 97 percent of all governmental disbursements. The next two columns of the Statement entitled Program 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 money provided by local taxpayers. 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.

Massillon Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Library Services	\$2,260,418	\$2,185,728	\$2,396,372	\$2,312,607
Capital Outlay	66,297	66,297	378,635	378,635
Total	\$2,326,715	\$2,252,025	\$2,775,007	\$2,691,242

The dependence upon "PLF" and property and other tax receipts is apparent as over 97 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental fund receipts were \$2,355,994 and disbursements were \$2,326,715. The fund balance of the General Fund increased \$98,636 as the result of budget cuts to offset the decreased "PLF". McClymond's \$39,993 increase was due to investment income.

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 2009, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts primarily due to the Library receiving approximately \$171,600 less than the originally budgeted for the "PLF". Actual disbursements were \$79,394 less than budgeted, due to budget cuts enacted in response to the decreased PLF.

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. The Library relies heavily on the "PLF" and its operating levy to provide quality service to its patrons.

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 Massillon Public 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 Mary Schultz, Fiscal Officer, Massillon Public Library, 208 Lincoln Way East, Massillon, Ohio 44646.

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Massillon Public Library
Stark County
Statement of Net Assets - Modified Cash Basis
December 31, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,083,555
Cash in Segregated Accounts	14,722
Investments	412,663
<i>Total Assets</i>	\$1,510,940
 Net Assets	
Restricted for:	
Capital Projects	\$75,760
Permanent Fund - Expendable	407,385
Permanent Fund - Nonexpendable	23,665
Other Purposes	8,559
Unrestricted	995,571
<i>Total Net Assets</i>	\$1,510,940

See accompanying notes to the basic financial statements

Massillon Public Library
Stark County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services	\$2,260,418	\$51,470	\$23,220	(\$2,185,728)
Capital Outlay	66,297			(66,297)
<i>Total Governmental Activities</i>	<u>\$2,326,715</u>	<u>\$51,470</u>	<u>\$23,220</u>	<u>(\$2,252,025)</u>
General Receipts				
Property and Other Local Taxes				744,851
Intergovernmental Revenue				112,961
Unrestricted Gifts and Contributions				50,000
Grants and Entitlements not Restricted to Specific Programs				1,291,140
Sale of Capital Assets				5,817
Interest				54,715
Miscellaneous				27,637
<i>Total General Receipts</i>				<u>2,287,121</u>
Change in Net Assets				35,096
<i>Net Assets Beginning of Year</i>				<u>1,475,844</u>
<i>Net Assets End of Year</i>				<u><u>\$1,510,940</u></u>

See accompanying notes to the basic financial statements

Massillon Public Library
Stark County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	General	McClymond's Library	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$995,571		\$87,984	\$1,083,555
Cash in Segregated Accounts		\$14,722		14,722
Investments		412,663		412,663
<i>Total Assets</i>	<u>\$995,571</u>	<u>\$427,385</u>	<u>\$87,984</u>	<u>\$1,510,940</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$1,021		\$1,495	\$2,516
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	994,550			994,550
Special Revenue Funds			8,559	8,559
Capital Projects Funds			74,265	74,265
Permanent Fund - Expendable		\$407,385		407,385
Permanent Fund - Nonexpendable		20,000	3,665	23,665
Total Fund Balances	<u>\$995,571</u>	<u>\$427,385</u>	<u>\$87,984</u>	<u>\$1,510,940</u>

See accompanying notes to the basic financial statements

**Massillon Public Library
Stark County**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009*

	General	McClymond's Library	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$744,851			\$744,851
Public Library Fund	1,286,890			1,286,890
Intergovernmental	112,961		\$6,250	119,211
Patron Fines and Fees	49,647			49,647
Contributions, Gifts and Donations	58,656		12,564	71,220
Earnings on Investments	1,426	\$52,880	409	54,715
Miscellaneous	23,050		6,410	29,460
<i>Total Receipts</i>	<u>2,277,481</u>	<u>52,880</u>	<u>25,633</u>	<u>2,355,994</u>
Disbursements				
Current:				
Library Services	2,119,993	12,887	127,538	2,260,418
Capital Outlay	31,519		34,778	66,297
<i>Total Disbursements</i>	<u>2,151,512</u>	<u>12,887</u>	<u>162,316</u>	<u>2,326,715</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>125,969</u>	<u>39,993</u>	<u>(136,683)</u>	<u>29,279</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	3,667		2,150	5,817
Transfers In			31,000	31,000
Transfers Out	(31,000)			(31,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(27,333)</u>	<u>0</u>	<u>33,150</u>	<u>5,817</u>
<i>Net Change in Fund Balances</i>	98,636	39,993	(103,533)	35,096
<i>Fund Balances Beginning of Year</i>	<u>896,935</u>	<u>387,392</u>	<u>191,517</u>	<u>1,475,844</u>
<i>Fund Balances End of Year</i>	<u>\$995,571</u>	<u>\$427,385</u>	<u>\$87,984</u>	<u>\$1,510,940</u>

See accompanying notes to the basic financial statements

Massillon Public Library
Stark County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$837,521	\$837,521	\$744,851	(92,670)
Public Library Fund	1,458,492	1,458,492	1,286,890	(171,602)
Intergovernmental	-	-	112,961	112,961
Patron Fines and Fees	47,175	47,175	49,647	2,472
Contributions, Gifts and Donations	7,100	7,100	58,656	51,556
Earnings on Investments	22,000	22,000	1,425	(20,575)
Miscellaneous	17,309	17,309	23,050	5,741
<i>Total Receipts</i>	<u>2,389,597</u>	<u>2,389,597</u>	<u>2,277,481</u>	<u>(112,116)</u>
Disbursements				
Current:				
Library Services	2,306,255	2,200,267	2,121,014	79,253
Capital Outlay	20,500	31,660	31,519	141
<i>Total Disbursements</i>	<u>2,326,755</u>	<u>2,231,927</u>	<u>2,152,533</u>	<u>79,394</u>
<i>Excess of Receipts Over Disbursements</i>	<u>62,842</u>	<u>157,670</u>	<u>124,948</u>	<u>(32,722)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	3,667	3,667
Transfers Out	-	(31,000)	(31,000)	0
Other Financing Uses	(33,785)	(768)	-	768
<i>Total Other Financing Sources (Uses)</i>	<u>(33,785)</u>	<u>(31,768)</u>	<u>(27,333)</u>	<u>4,435</u>
<i>Net Change in Fund Balance</i>	29,057	125,902	97,615	(28,287)
<i>Fund Balance Beginning of Year</i>	861,858	861,858	861,858	0
Prior Year Encumbrances Appropriated	35,077	35,077	35,077	0
<i>Fund Balance End of Year</i>	<u>\$925,992</u>	<u>\$1,022,837</u>	<u>\$994,550</u>	<u>(28,287)</u>

See accompanying notes to the basic financial statements

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**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009*

Note 1 – Description of the Library and Reporting Entity

Massillon Public Library, Stark County, Ohio, (the Library) was organized as a school district public library in 1922 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Massillon City School's 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 Massillon City School's 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 Massillon City School's Board of Education.

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's component unit is McClymond's Public Library Association (Association) a not-for-profit entity incorporated under Chapter 1702 of the Ohio Revised Code.

The Association is a blended component unit of the Library and reported as a major fund of the Massillon Public Library. The Association is an association library established in 1897. The Association manages endowments received for the benefit of the citizens of the Massillon Public Library. The principal and earnings of these endowments are restricted.

The Association is managed by a seven member Board of Trustees. Although legally separate, the members of the Board of Trustees and Fiscal Officer of the Library and the Association are identical. Although the Association has the original bequests and its Articles of Incorporation, it does not have the supporting documentation for any changes that may have been made to those bequests or any subsequent actions taken by those charged with governance. In May 2010 the Association's Board approved the dissolution of the entity and the transfer of all endowment funds to the Massillon Public Library (see Note 12.)

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 1 – Description of the Library and Reporting Entity (continued)

The Friends of Massillon Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The funds maintained by the organization are not significant in amount to the Library's total resources.

The Library participated in two joint ventures, the Barry Askren Memorial Branch and the Stark Library Information Consortium. These organizations are described in Note 11 of the Notes to the Basic Financial Statements.

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 2.C, 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. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

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 primary government. Governmental activities generally are financed through taxes, Public Library Fund, intergovernmental receipts and other nonexchange transactions.

The Statement of Net Assets presents the cash balance of the governmental activities of the Library at year's 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Library's general receipts.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

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. The Library's major funds are presented in separate columns. Non-major funds are aggregated and presented in a single 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 (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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

McClymond's Library Fund – The McClymond's library fund accounts for endowment monies received for the benefit of the citizens of the Massillon Public Library. Per the original bequests only the interest could be spent for purchase and acquisition of books and other literature and for the repairing and re-binding of books and magazines. Therefore the corpus of this is reflected as nonspendable. Any remaining balance is reflected as spendable.

C. Basis of Accounting

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

The Library's funds are legally required to be appropriated (except the McClymond's Library Fund). 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 function level for the general fund and the fund level for all other funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

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".

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 were recorded as receipts or negative receipts, respectively. On December 1 all McClymond's Library mutual fund investments were sold. The investment balance reported as of December 31, 2009 was valued at cost.

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, 2009.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2009 amounted to \$1,426.

F. Inventory and Prepaid Items

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.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 2 - Summary of Significant Accounting Policies (continued)

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 modified 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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 of other governments. Net assets restricted for other purposes include the revenue sources that are restricted for the Library capital and debt purposes.

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

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Library had the following interfund transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Projects - Building and Repair Fund	\$ 31,000

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 3 – 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 that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$1,021 for the general fund.

Note 4 – Deposits and Investments

A. Library

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon 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 held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 4 – Deposits and Investments (continued)

A. Library (continued)

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 \$1,500 in undeposited, petty cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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, the carrying amount of the Library's deposits was \$816,204 and the bank balances were \$881,503. Of the Library's bank balance, \$750,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$131,503 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized 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 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

As of December 31, 2009, the Library had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$265,851	Less than 3 months

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 4 – Deposits and Investments (continued)

Interest rate risk arises because the fair value of investment changes as interest rates change. 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.

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.

B. Association

The investment and deposit of Association moneys are governed by the terms of the Association's Articles of Incorporation, the original bequests, any changes to those bequests and subsequent actions taken by those charged with governance. The minute recordings of the Association's Board of Trustees reflect that at least a portion of the Association's Endowment Fund is restricted to investments only in first class State, County or Municipal Bonds or Mortgage Securities, according to the terms of the MyClymond's endowment contract.

At year end, the Association had \$100 in undeposited, petty cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Association will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Association's deposits was \$14,622 and the bank balances were \$18,671. Of the Association's bank balances, \$18,671 was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

At December 31, 2009, the Association had the following investment:

	<u>Market Value</u>	<u>Maturity</u>
Money Market	\$ 412,663	Less than 6 months

Interest Rate Risk: The Association does not have a formal investment policy that limits investment maturities or types of investment as a means of managing its exposure to fair value losses arising from increasing interest rates.

In December 2009 the McClymonds Board of Trustees began discussions on the process to dissolve the corporation. Based upon these discussions and in order to ensure compliance with the investment requirements of the endowment contract, the Board approved actions regarding the sale of all mutual fund investments held by the Association with the proceeds to be placed in an existing money market account pending the dissolution of the corporation. In May 2010 the McClymonds Board officially dissolved the Association. See Note 12.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 5 – Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (“PLF”). The “PLF” was enacted by the State of Ohio seeking to incorporate the intangible tax into the State’s personal income tax. Currently the “PLF” is funded with 2.22 percent of the receipts of personal income tax and distributed to each county monthly through an equalization formula. The Stark County Budget Commission allocates these funds to the Library based on a formula which incorporates square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Committee cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Massillon City School District and the Villages of Navarre and Brewster. Property tax receipts received in 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2008 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2009.

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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien on December 31, 2008, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2009 tangible property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 was 12.5 percent. This was reduced to 6.25 percent for 2008, and zero for 2009. Payments 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 3, with the remainder due September 20.

The full tax rate for all Library operations for the year ended December 31, 2009, was \$1.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2009 (2010) property tax receipts were based are as follows:

Real Property	\$466,072,290
Public Utility Property	21,863,240
Tangible Personal Property	587,700
Total Assessed Values	<u>\$488,523,230</u>

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

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 7 - 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 2009, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance	Commercial Property	\$9,926,500
	General Liability	3,000,000
Auto-Owners Insurance	Vehicle	500,000
Chubb Group	Errors and Omissions	1,000,000 occurrence 5,000,000 aggregate

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

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 8 - Defined Benefit Pension Plan

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2009 was 14 percent of covered payroll. For the period 2009, a portion of the Library's contribution equal to 7 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009 was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 8 - Defined Benefit Pension Plan (continued)

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$160,158, \$168,546 and \$157,617 respectively. The full amount has been contributed for 2009, 2008 and 2007.

Note 9 - Postemployment Benefits

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 - 7377.

The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$67,209, \$84,273 and \$72,657 respectively; 100 percent has been contributed for 2009, 2008 and 2007.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. 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 healthcare plan.

**Massillon Public Library
Stark County**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(Continued)*

Note 10 – Leases

The Library leases buildings and other equipment. The Library disbursed \$756 to pay lease costs for the year ended December 31, 2009. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 756
2011	<u>63</u>
Total	<u>\$ 819</u>

Note 11 – Joint Ventures

The Barry Askren Memorial Branch is a joint venture with the Towpath-YMCA. According to the lease agreement, the Library leases the building at a cost of \$100 per year. The Library is responsible for staffing the building while open to the public.

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

Note 12 – Subsequent Events

On May 27, 2010 the McClymond's Library Board of Trustees voted to officially dissolve the Association. Dissolution papers were filed with the State and all funds were transferred to the Massillon Public Library.



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*

Massillon Public Library
Stark County
208 Lincoln Way East
Massillon, Ohio 44646

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Massillon Public Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 1, 2010, wherein we noted the financial statements of the Library's follow a comprehensive basis of accounting other than GAAP. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our engagement in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated November 1, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 1, 2010

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	<p>Component Unit – McClymond’s Public Library Association</p> <p>The Association did not have its Articles of Incorporation, a copy of which is necessary to support the Association’s deposit and investment policies and restrictions.</p>	No	Partially Corrected; Refer to Management Letter

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Mary Taylor, CPA
Auditor of State

MASSILLON PUBLIC 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
DECEMBER 7, 2010**