

STARK COUNTY DISTRICT LIBRARY

AKRON/CANTON REGION, STARK COUNTY

JANUARY 1, 2000 - DECEMBER 31, 2000

FISCAL YEAR AUDITED UNDER GAGAS: 2000

This audit report is subject to review and acceptance by the Auditor of State's office, and the requirements of ORC 117.25 are not met until the Auditor of State certifies this report. This process takes approximately two weeks and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Stark County District Library
715 Market Avenue, North
Canton, OH 44702

We have reviewed the independent auditor's report of the Stark County District Library, prepared by Brott Mardis & Co., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Stark County District Library is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

June 29, 2001

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STARK COUNTY DISTRICT LIBRARY

STARK COUNTY

JANUARY 1, 2000 THROUGH DECEMBER 31, 2000

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**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY, OHIO
715 Market Avenue, North
Canton, Ohio 44702**

**APPOINTED OFFICIALS
AS OF DECEMBER 31, 2000**

BOARD OF TRUSTEES	TITLE	TERM OF OFFICE
Jacqueline Bollas Caldwell	President	4/27/00 - 4/27/07
Shawn O'Brien	Vice President	3/22/95 - 4/27/02
Charles Bennell	Secretary	4/19/94 - 4/27/01
Eva Bradley	Member	4/27/97 - 4/27/04
Robin Austin	Member	4/27/98 - 4/27/05
James Conley	Member	4/27/96 - 4/27/03
R. Stanford Terhune	Member	9/25/00 - 4/27/06

ADMINISTRATIVE

Nancy B. Johnston	Director/Clerk Treasurer	Indefinitely
Russell E. Humerickhouse	Business Manager/Deputy Clerk Treasurer	Organizational Meeting 2000 to Organizational Meeting 2001

STATUTORY LEGAL COUNSEL

Robert D. Horowitz
Stark County Prosecutor
110 Central Plaza South
Suite 510
Canton, Ohio 44702

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BROTT MARDIS & CO.

Certified Public Accountants

106 South Main St., Suite 1306, Akron, Ohio 44308-1418
330-762-5022 fax: 330-762-2727 www.brottmardis.com

Report of Independent Accountants

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

We have audited the accompanying financial statements of the Stark County District Library (Library) as of and for the year ended December 31, 2000. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2000, and its combined cash receipts and cash disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

Brott Mardis & Co.
Certified Public Accountants
April 30, 2001

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STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash receipts:			
Taxes	\$9,046,133	-	\$2,888,179
Patrons Fines and Fees	166,297	-	-
Earnings on Investments	321,005	-	-
Services Provided Other Entities	237,137	-	-
Bond Anticipation Note Proceeds	-	-	-
Bookmobile Loan Proceeds	-	-	-
Contributions, Gifts & Donations	320,211	72,696	-
Miscellaneous	108,103	-	-
Total cash receipts	10,198,886	72,696	2,888,179
Cash disbursements:			
Salaries and Benefits	5,731,011	-	-
Supplies	186,897	1,629	-
Purchased & Contract Services	1,050,760	-	40,585
Library Materials and Information	1,889,904	17,184	-
Capital Outlay	94,209	-	-
Debt Service:			
Principal	-	-	41,032
Interest	-	-	1,060
Other	20,873	300	-
Total cash disbursements	8,973,654	19,113	82,677
Total cash receipts over cash disbursements	1,225,232	53,583	2,805,502
Other financing sources/(uses):			
Transfers-In	271,860	-	140,223
Transfers-Out	(140,517)	-	(271,860)
Total other financing sources/(uses)	131,343	-	(131,637)
Total cash receipts over cash disbursements and other financing sources/(uses)	1,356,575	53,583	2,673,865
Fund cash balances, December 31, 1999	1,608,249	21,521	1,485,995
Fund cash balances, December 31, 2000	\$2,964,824	\$75,104	\$4,159,860
Reserve for encumbrances, December 31, 2000	\$532,833	\$23,128	-

The notes to the financial statements
are an integral part of this statement.

	(Memorandum Only)
Capital Projects	Total
-	\$11,934,312
-	166,297
245,747	566,752
-	237,137
4,250,000	4,250,000
235,464	235,464
-	392,907
-	108,103
4,731,211	17,890,972
-	5,731,011
988	189,514
425,527	1,516,872
-	1,907,088
3,408,040	3,502,249
-	41,032
-	1,060
6,450	27,623
3,841,005	12,916,449
890,206	4,974,523
-	412,083
-	(412,377)
-	(294)
890,206	4,974,229
4,747,387	7,863,152
<u>\$5,637,593</u>	<u>\$12,837,381</u>
<u>\$2,622,196</u>	<u>\$3,178,157</u>

STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Non-Expendable Trust</u>	<u>Agency</u>	<u>(Memorandum only) Total</u>
Cash receipts:			
Earnings on investments	\$5,438	-	\$5,438
Cash disbursements:			
Supplies	431	-	431
Library Materials & Information	2,385	-	2,385
Other	-	274	274
	<u>2,816</u>	<u>274</u>	<u>3,090</u>
Total cash receipts over cash disbursements	2,622	(274)	2,348
Other financing sources:			
Transfers-In	294	-	294
Fund cash balances, December 31, 1999	<u>110,294</u>	<u>274</u>	<u>110,568</u>
Fund cash balances, December 31, 2000	<u>\$113,210</u>	<u>-</u>	<u>\$113,210</u>
Reserve for encumbrances, December 31, 2000	<u>\$445</u>	<u>-</u>	<u>\$445</u>

The notes to the financial statements
are an integral part of this statement.

STARK COUNTY DISTRICT LIBRARY

STARK COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark County District Library (Library) is a body politic and corporate established for the purposes of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library operates under a Board of Trustees (7 members) appointed by the Stark County Commissioners and Common Pleas Judges, and provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

C. Cash and Investments

The Investment in STAR Ohio (The State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Repurchase Agreements are valued at cost, which approximates market value.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Library functions or activities. The Library classifies its funds into the following types:

General Fund

The General Fund is the operating fund of the Library. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

Debt Service Fund

This fund is used to account for accumulation of resources for general long-term debt repayment.

Capital Project Funds

These funds are used to account for the acquisition or construction of major capital projects.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. The Library had the following significant Non-expendable Trust Fund:

Madge Youtz Trust Fund - The interest of this fund is used for any purpose deemed appropriate for use by the Madge Youtz Branch of the Library.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

The Board shall pass an appropriation measure on or about the first day of each fiscal year. During the year the Board may pass such amended or supplemental appropriation measures as it deems necessary. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The Stark County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2000 budgetary activity appears in Note 3.

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

F. **Property, Plant and Equipment**

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

G. **Unpaid Vacation, Sick Leave and Compensatory Time**

Employees are entitled to cash payments for unused vacation when separating from service from the library. The Library pays full-time employees one-fourth the value of an employee's unused sick leave credit, if upon retirement or death, the employee has 20,000 compensated hours of service with the Library. Such sick leave credit payments shall be based on the employees' rates of pay at the time of retirement or death. The maximum payment of sick leave credit which may be made, under this section, shall be 200 hours. Upon retirement or death, a part-time employee who has less than 20,000 compensated hours but at least 10,000 compensated hours of service with the Library shall receive a proration of the maximum payment based upon actual hours compensated.

The Library also provides compensatory time at the employees' discretions in lieu of cash payments for overtime hours worked. A maximum of 80 hours per employee may be accumulated. Employees are entitled to accrued compensatory time pay upon separation from service.

As of December 31, 2000, Library employees had accumulated a combined \$830,645 in sick leave, vacation time, holiday leave, and compensatory time. In accordance with the basis of accounting described in Note 1, this amount has not been recorded as a liability on these financial statements.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Library's investments may be categorized to give an indication of the level of risk assumed at year end. As illustrated in GASB Statement No. 3, Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by their trust department or agent, but not in the Library's name. The investment denoted below as STAR Ohio is considered to be a noncategorized investment. The investment denoted below as a Repurchase Agreement is considered to be a Category 3 investment. The carrying amount which approximates market value of cash and investments at December 31, 2000, was as follows:

2. **EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	<u>2000</u>
Petty Cash	\$ 695
Unrestricted Deposits	<u>170,519</u>
Total unrestricted deposits	171,214
Deposits restricted for permanent improvements	4,531,967
Deposits restricted for bond repayment	<u>4,159,860</u>
Total restricted deposits	8,691,827
Repurchase Agreement	136,129
STAR Ohio	<u>3,951,421</u>
Total investments	<u>4,087,550</u>
Total deposits and investments	<u>\$12,950,591</u>

Deposits:

The Library's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments:

Investments in STAR Ohio are not evidenced by securities that exist in physical form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000, was as follows:

<u>2000 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 9,628,181	\$10,198,886	\$570,705
Transfer from Debt Service	-	271,860	271,860
Special Revenue	74,696	72,696	(2,000)
Debt Service	2,917,028	2,888,179	(28,849)
Transfer from General	42,092	140,223	98,131
Capital Projects	4,635,464	4,731,211	95,747
Transfer from General	-	-	-
Fiduciary -			
Non-Expendable Trust	306,000	5,438	(300,562)
Transfer from General	-	294	294
Fiduciary - Agency	-	-	-
Transfer from General	-	-	-
Total	<u>\$17,603,461</u>	<u>\$18,308,787</u>	<u>\$705,326</u>

<u>2000 Appropriated vs. Budgeted Expenditures</u>			
<u>Fund Type</u>	<u>Appropriated Expenditures</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
General	\$11,236,431	\$ 9,506,487	\$ 1,729,944
Transfer to Capital Projects	-	-	-
Transfer to Fiduciary	-	294	(294)
Transfer to Debt Service	42,092	140,223	(98,131)
Special Revenue	96,216	42,241	53,975
Debt Service	4,403,022	82,677	4,320,345
Transfer to General Fund	-	271,860	(271,860)
Capital Projects	11,092,851	6,451,761	4,641,090
Fiduciary -			
Non-Expendable Trust	411,295	3,261	408,034
Fiduciary - Agency	274	274	-
Total	<u>\$27,282,181</u>	<u>\$16,499,078</u>	<u>\$10,783,103</u>

4. RETIREMENT SYSTEMS

The Library's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000, members of PERS contributed 8.5% of their gross salaries. The Library contributed an amount equal to approximately 12.19% (as adjusted due to temporary rate rollback from PERS) of participants' gross salaries. The Library has paid all contributions required through December 31, 2000.

5. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Builder's risk insurance (for new construction)
- Blanket building and contents
- Comprehensive property and general liability
- Errors and omissions

The Library also provides health insurance to full-time and some eligible part-time employees through a private carrier.

6. DEFERRED COMPENSATION ASSETS

These funds are maintained by custodians, as legally required. These assets, and the related receipts and disbursements, are not reflected in the Library's financial statements.

Certain employees may elect to participate in the Ohio Deferred Compensation Program (the Program). These funds are maintained in a trust held by the Board of the Ohio Public Employees Deferred Compensation Program, created in accordance with Internal Revenue Code Section 457. Amounts withheld from these employees are tax deferred, and are invested by the Program, as directed by the employees.

7. CONTINGENT LIABILITIES

During 2000, the Library was a defendant in a lawsuit. The Library was granted summary judgment in 1998, but the plaintiff is appealing the decision. Although the outcome of this suit is not presently determinable, counsel believes that the resolution of this matter will not have a material adverse effect on the Library's financial condition.

8. DEBT

On November 4, 1997, the electors of Stark County voted in majority favor of a \$10,540,000 bond issue for the Library. The purpose of the bond issue was to renovate, add to, construct, furnish, equip, and otherwise improve library facilities within the District. Each bond issue will be repaid within a period not to exceed one year from date of issue. The property tax revenue used to repay the bonds will be collected over a maximum period of five years beginning with 1998. The bonds will be repaid with proceeds from a property tax levy which will be assessed outside the ten mill limitation at .75 mill for each dollar of tax valuation.

Pursuant to the above, the Library issued a one-year, 3.96% bond anticipation note on August 27, 1998, to Bank One, N.A. in the amount of \$4,000,000. The note matured and was repaid in full on August 26, 1999. The Library received \$2,823,029 (net of related fees of \$39,520) in property tax revenue during 1999 and \$2,647,197 (net of related fees of \$55,832) during 1998 which was used to fund the repayment of this note and a note issued in 2000 (discussed below). In addition to the bond principal, the Library paid \$157,960 in accumulated interest during 1999.

On February 24, 2000, the Library issued a one-year, 4.74% bond anticipation note to Bank One, N.A. in the amount of \$4,250,000. The note balance and accumulated interest of \$200,331 was repaid on the maturity date of February 22, 2001. The Library received \$2,847,594 (net of related expenses of \$40,585) in property tax revenue in 2000 and \$291,375 in 2001 which was used to fund the repayment of the note.

At December 31, 2000, the Library had expended a three-year total of \$4,443,747 in note proceeds and had encumbered \$2,622,196 for permanent improvements pursuant to the levy.

9. LEASES

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement and another under a 10-year noncancellable operating lease agreement. The 10-year noncancellable lease expired in April 2001. The aggregate required monthly lease payment is \$2,900 with annual increases based on the consumer price index. Three other facilities are leased under month-to-month operating lease agreements. The aggregate monthly payment for the month-to-month leases is \$2,800. Facility rent expense was approximately \$68,000 in 2000. Minimum rental payments required for the life of the noncancellable leases are as follows:

2001	\$ 23,301
2002	17,549
2003	17,549
2004	17,549
2005	17,549
Thereafter	<u>80,433</u>
	<u>\$173,930</u>

9. LEASES (Continued)

In 1996, the Library entered into a five-year capital lease arrangement with a telecommunications company for central site hardware, software, network products, peripherals, and maintenance related to its Dynix computerized circulation control and collection management system. The payments are due twice per year in the amount of \$161,040. The Library is reimbursed for part of the cost by six other libraries which participate in the Mid-eastern Ohio Automated Circulation System. These other libraries reimburse the Library based on their proportional circulation percentage per year in relation to the other libraries participating in the program. In 2000, the other libraries were billed approximately 47% of the 1999 total lease cost. The reimbursement projection for 2000 costs is not yet determinable. However, management does expect the reimbursement percentage to be similar to that of 1999.

During 2000, the Library entered into a 60-month lease with a telecommunications company to provide data services at a cost of \$6,386 per month.

Minimum rental payments required for the lives of both the network and data services leases mentioned above are as follows:

2001	\$237,672
2002	76,632
2003	76,632
2004	76,632
2005	<u>31,930</u>
	<u>\$499,498</u>

During 2000, the Library entered into a three-year capital lease arrangement with a financial institution to purchase two bookmobiles. The total amount financed was \$235,464 at an interest rate of 5.4%.

Minimum rental payments (including interest) required for the life of the lease are as follows:

2001	\$ 84,184
2002	84,184
2003	<u>42,092</u>
	<u>\$210,460</u>

10. COMMITMENTS

As of December 31, 2000, committed construction contracts in excess of encumbrances amounted to \$1,371,467.

11. SUBSEQUENT EVENTS

New Construction

Pursuant to the Library improvement bonds and tax levy mentioned in Note 8, the Library expended an additional \$2,007,359 for new construction and renovation of facilities between January 1, 2001 and April 30, 2001. Also, between January 1, 2001 and April 30, 2001, approximately \$897,000 in contracts and change orders for this purpose were authorized by the Board of Trustees to be expended. These two amounts are not necessarily mutually exclusive in total.

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BROTT MARDIS & CO.

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**REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Stark County District Library

We have audited the cash basis financial statements of the Stark County District Library (the Library) as of and for the year ended December 31, 2000, and have issued our report thereon dated April 30, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated April 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the cash basis financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Library in a separate letter dated April 30, 2001.

This report is intended solely for the information and use of management and the Library Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Brott Mardis & Co.
Certified Public Accountants
April 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 17, 2001**