



Mary Taylor, CPA
Auditor of State

STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, Ohio (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, Ohio, as of December 31, 2007, 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 1 describes.

As disclosed in Note 11, Fund Balance at January 1, 2007 for the Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Budget Basis were restated to remove the affects of the outstanding carryover encumbrance from previous years.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 10, 2008

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of the Stark County District Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2007, 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 2007 are as follows:

At the end of 2007, the Library's net assets balance is \$3,290,775 which is a decrease of \$1,536,667 or 31.83 percent from the 2007 beginning balance. The primary reason for the decrease is the completion of the building construction and purchases of library materials for the new Perry Sippo Branch. The fund most affected by the decrease in cash and cash equivalents is the General Fund.

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF) and the 1 mill, 5 year operating levy passed in 2004. These LLGSF and levy receipts represent 87.27 percent of the total cash received for governmental activities during the year which includes \$262,054 from reimbursement of an insurance claim, which is presented as extraordinary item.

The Stark County District Library enjoyed an excellent year in 2007. The Library is one of the 100 best libraries in the nation, according to Hennen's American Public Library Ratings (HAPLR). Circulation was 4 million items, an increase of almost 8.0 percent; 1.5 million people visited the Library – an 8.6 percent increase; the total number of books, movies, music CDs, magazines, newspapers, and other items available for checkout increased by 4.5 percent; and attendance at public programs was up 15.0 percent. The Library introduced a new service of downloadable videos ranging from movies to education. In addition, the use of the Library's public-access computers increased 20.5 percent in 2007.

The new Perry Sippo Branch, which replaced the Perry Heights Branch destroyed by fire in June 2002, opened on May 14, 2007 with the highest opening day circulation of any Stark County District Library branch. Approximately 28,000 new items were added to the opening day collection of library materials. This branch is one of 3 locations that features self check for customers.

The Library added or replaced 144 computers for public and staff use, replaced 8 laptops on the bookmobiles and kidmobiles and continued to bring wireless Internet access online, adding 3 branches to its wireless network. By mid 2008, all Stark County District Library locations will provide wireless Internet access.

The Library purchased a new circulation system in 2007 called Millenium to improve customer access to library collections and allow access to additional items. This new system will be used in conjunction with Massillon Public Library and Louisville Public Library as part of the Stark Libraries in Consortium.

The final episode in the Harry Potter saga was welcomed by a large, after-hours event at the new Plain Community Branch. More than 600 customers from all over northeast Ohio visited the branch for a chance to check-out the seventh and final book in the series when it became available at 12:01 a.m., July 20, 2007.

The Library's 2nd Annual Opportunities Job Fair, held in partnership with the Stark County Department of Job and Family Services, Canton City Schools, Ohio Rehabilitation Services, Mature Services, Inc. and the Stark Metro Housing Authority, provided job skills coaching before the job fair, then, brought together more than 40 potential employers with 800 job applicants.

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

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting per Auditor of State Bulletin 2005-002 and GASB Statement No. 34. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2007, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax and library and local government support.

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

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

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are classified as governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$1,438,843	\$3,066,447
Investments	1,851,932	1,760,995
Total Assets	\$3,290,775	\$4,827,442
Net Assets		
Restricted for:		
Debt Service	\$463	\$257
Capital Outlay	1,480,680	1,700,788
Permanent Fund	19,126	15,773
Other Purposes	103,771	101,231
Unrestricted	1,686,735	3,009,393
Total Net Assets	\$3,290,775	\$4,827,442

As mentioned previously, net assets of governmental activities decreased \$1,536,667 or 31.83 percent during 2007. The primary reason for the decrease in cash balances is the completion of the building construction and the purchases of library materials for the new Perry Sippo Branch.

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 reflects the changes in net assets in 2007. A comparative analysis of government-wide data has been presented for years 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 301,867	\$ 242,437
Operating Grants and Contributions	22,369	26,343
Capital Grants and Contributions	282,071	273,561
Total Program Receipts	606,307	542,341
General Receipts:		
Property and Other Local Taxes	4,242,927	4,358,475
Library and Local Government Support	8,292,565	8,247,623
Unrestricted Gifts and Contributions	7,186	13,097
Grants and Entitlements not Restricted to Specific Programs	691,206	566,759
Interest	201,203	367,830
Miscellaneous	60,858	126,480
Total General Receipts	13,495,945	13,680,264
Extraordinary Item:		
Insurance Payment (Perry Branch fire June 2002) from Westfield Insurance Co. for construction of new Perry Sippo Branch	262,054	729,011
Total Receipts	14,364,306	14,951,616
Disbursements:		
Library Services:		
Public Service and Programs	7,236,861	6,981,856
Collection Development and Processing	3,481,414	2,851,638
Support Services:		
Facilities Operation and Maintenance	976,517	624,807
Information Services	615,018	456,387
Business Administration	1,553,138	1,259,581
Capital Outlay	2,038,025	4,791,668
Total Disbursements	15,900,973	16,965,937
Decrease in Net Assets	(1,536,667)	(2,014,321)
Net Assets, Beginning of Year	4,827,442	6,841,763
Net Assets, End of Year	\$ 3,290,775	\$ 4,827,442

Program receipts of \$606,307 are primarily comprised of patron fines and fees, genealogy fees, and capital grants.

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Virtually all of the Library's total receipts are general receipts, and of the total amount, 92.95 percent are Library and Local Government Support Fund and levy receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

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

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public library services and programs, which account for 45.51 percent of all governmental disbursements. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from Library and Local Government Support Fund, levy receipts, investment income, contributions and gifts and miscellaneous. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007
Library Services	\$10,718,275	(\$10,397,509)
Support Services	3,144,673	(3,141,203)
Capital Outlay	2,038,025	(1,755,954)
Total	\$15,900,973	(\$15,294,666)

The Library's Funds

Total governmental funds had receipts of \$14,364,306 and disbursements of \$15,900,973. The greatest change within governmental funds occurred within the General Fund, and the primary reason for the decrease in cash balances is the completion and opening of the new Perry Sippo Branch in partnership with the Stark County Park District.

General Fund Budgeting Highlights

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

During 2007, there was no difference between the total final budgeted receipts and actual receipts.

Final disbursements were budgeted at \$16,871,571 while actual disbursements were \$16,042,309. The Library kept spending very close and in many instances under the budgeted amounts.

Stark County District Library
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Current Issues

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

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted in 1985 by the State of Ohio incorporating the intangible tax into the State's personal income tax. Through 2007, the LLGSF was funded with 5.7% of the receipts of personal income tax and was distributed to each county monthly through an equalization formula. However, due to the budget deficits in the State of Ohio, public libraries are susceptible to attempts by the State to divert the LLGSF for other uses.

The 2008-09 budget signed by Ohio Gov. Ted Strickland eliminates the freeze in public library funding that has been in effect since 2001 and the funding source from the State's personal income tax. The new revenue source will broaden the fund's base to include all General Revenue taxes, including sales taxes, corporate franchise taxes and public utility taxes. Library funding will be 2.22 percent of General Revenue taxes and the name of the fund will change to the Public Library Fund (PLF).

The Library also continues to explore new technology solutions for staff and patrons, including wireless internet, additional computer access for patrons, and improved telecommunications between library locations. The new Millenium automated circulation system, which will improve customer access to library collections and allow access to additional items, has been installed and will be available for customer and staff use in early 2008.

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

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Russ Humerickhouse, Fiscal Officer, Stark County District Library, 715 Market Avenue North, Canton, Ohio 44702-1018.

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Stark County District Library, Stark County

Statement of Net Assets - Modified Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,438,843
Investments	<u>1,851,932</u>
<i>Total Assets</i>	<u><u>\$ 3,290,775</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 1,480,680
Debt Service	463
Permanent Fund	19,126
Other Purposes	103,771
Unrestricted	<u>1,686,735</u>
<i>Total Net Assets</i>	<u><u>\$ 3,290,775</u></u>

See accompanying notes to the basic financial statements

Stark County District Library, Stark County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Library Services:					
Public Service and Programs	\$ 7,236,861	\$ 301,867	\$ 16,559	\$ -	\$ (6,918,435)
Collection Development and Processing	3,481,414	-	2,340	-	(3,479,074)
Support Services:					
Facilities Operation and Maintenance	976,517	-	3,470	-	(973,047)
Information Services	615,018	-	-	-	(615,018)
Business Administration	1,553,138	-	-	-	(1,553,138)
Capital Outlay	2,038,025	-	-	282,071	(1,755,954)
<i>Total Governmental Activities</i>	<u>\$ 15,900,973</u>	<u>\$ 301,867</u>	<u>\$ 22,369</u>	<u>\$ 282,071</u>	(15,294,666)
General Receipts					
Property Taxes Levied for General Purposes					4,242,927
Library and Local Government Support					8,292,565
Unrestricted Gifts and Contributions					7,186
Grants and Entitlements not Restricted to Specific Programs					691,206
Interest					201,203
Miscellaneous					60,858
<i>Total General Receipts</i>					<u>13,495,945</u>
Extraordinary Item:					
Insurance Payment (Perry Branch fire June 2002) from Westfield Insurance Co. for replacement costs claim on Library Materials and Furniture and Fixtures at new Perry Sippo Branch					262,054
Change in Net Assets					(1,536,667)
<i>Net Assets Beginning of Year</i>					<u>4,827,442</u>
<i>Net Assets End of Year</i>					<u>\$ 3,290,775</u>

See accompanying notes to the basic financial statements

Stark County District Library, Stark County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,171,664	\$ -	\$ 267,179	\$ 1,438,843
Investments	515,071	1,330,680	6,181	1,851,932
<i>Total Assets</i>	<u>\$ 1,686,735</u>	<u>\$ 1,330,680</u>	<u>\$ 273,360</u>	<u>\$ 3,290,775</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 581,331	\$ -	\$ 87,335	\$ 668,666
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,105,404	-	-	1,105,404
Special Revenue Funds	-	-	92,698	92,698
Debt Service Fund	-	-	463	463
Capital Projects Funds	-	1,330,680	75,000	1,405,680
Permanent Fund	-	-	17,864	17,864
<i>Total Fund Balances</i>	<u>\$ 1,686,735</u>	<u>\$ 1,330,680</u>	<u>\$ 273,360</u>	<u>\$ 3,290,775</u>

See accompanying notes to the basic financial statements.

Stark County District Library, Stark County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2007

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 4,242,927	\$ -	\$ -	\$ 4,242,927
Library and Local Government Support	8,292,565	-	-	8,292,565
Intergovernmental	760,069	-	208	760,277
Patron Fines and Fees	248,811	-	-	248,811
Services Provided to Other Entities	53,056	-	-	53,056
Contributions, Gifts and Donations	26,276	-	216,279	242,555
Earnings on Investments	191,704	5,000	4,499	201,203
Miscellaneous	60,858	-	-	60,858
<i>Total Receipts</i>	<u>13,876,266</u>	<u>5,000</u>	<u>220,986</u>	<u>14,102,252</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	7,235,541	-	1,320	7,236,861
Collection Development and Processing	3,471,736	-	9,678	3,481,414
Support Services:				
Facilities Operation and Maintenance	976,349	-	168	976,517
Information Services	615,018	-	-	615,018
Business Administration	1,553,136	-	2	1,553,138
Capital Outlay	1,609,198	-	428,827	2,038,025
<i>Total Disbursements</i>	<u>15,460,978</u>	<u>-</u>	<u>439,995</u>	<u>15,900,973</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,584,712)</u>	<u>5,000</u>	<u>(219,009)</u>	<u>(1,798,721)</u>
<i>Extraordinary Item:</i>				
Reimbursement of insurance claim	262,054	-	-	262,054
<i>Net Change in Fund Balances</i>	(1,322,658)	5,000	(219,009)	(1,536,667)
<i>Fund Balances Beginning of Year</i>	<u>3,009,393</u>	<u>1,325,680</u>	<u>492,369</u>	<u>4,827,442</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,686,735</u>	<u>\$ 1,330,680</u>	<u>\$ 273,360</u>	<u>\$ 3,290,775</u>
<i>Reserve for Encumbrances</i>	<u>\$ 581,331</u>	<u>\$ -</u>	<u>\$ 87,335</u>	<u>\$ 668,666</u>

See accompanying notes to the basic financial statements.

Stark County District Library, Stark County
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL-BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and Other Local Taxes	\$4,600,056	\$4,600,056	\$4,242,927	(\$357,129)
Library and Local Government Support	8,292,565	8,292,565	8,292,565	0
Intergovernmental	332,557	402,940	760,069	357,129
Patron Fines and Fees	215,000	248,811	248,811	0
Services Provided Other Entities	21,000	53,056	53,056	0
Contributions, Gifts and Donations	16,000	26,276	26,276	0
Earnings on Investments	345,000	191,704	191,704	0
Miscellaneous	40,000	60,858	60,858	0
<i>Total Revenues</i>	<u>13,862,178</u>	<u>13,876,266</u>	<u>13,876,266</u>	<u>0</u>
Expenditures:				
Salaries	6,998,260	6,998,260	6,869,639	128,621
Employee Fringe Benefits	2,763,611	2,763,611	2,688,107	75,504
Purchased and Contracted Services	1,718,488	1,718,488	1,555,527	162,961
Library Materials and Information	3,022,859	3,022,859	2,779,890	242,969
Supplies	321,341	321,341	310,345	10,996
Other	152,200	152,200	45,221	106,979
Capital Outlay	1,894,812	1,894,812	1,793,580	101,232
<i>Total Expenditures</i>	<u>16,871,571</u>	<u>16,871,571</u>	<u>16,042,309</u>	<u>829,262</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,009,393)</u>	<u>(2,995,305)</u>	<u>(2,166,043)</u>	<u>829,262</u>
Special and Extraordinary Items				
Extraordinary Item - Insurance Payment		262,054	262,054	0
<i>Net Change in Fund Balance</i>	<u>(3,009,393)</u>	<u>(2,733,251)</u>	<u>(1,903,989)</u>	<u>829,262</u>
<i>Fund Balance Beginning of Year (Restated)</i>	<u>3,009,393</u>	<u>3,009,393</u>	<u>3,009,393</u>	
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$276,142</u>	<u>\$1,105,404</u>	<u>\$829,262</u>

See accompanying notes to the basic financial statements

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**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

Reporting Entity

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

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

The Library participates in one joint venture organization, Stark Library Information Consortium. This organization is described in Note 12 of the Notes to the Basic Financial Statements.

B. Basis of Presentation and Accounting

As discussed further below, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

The Library's basic financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the Library as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. The Library had no business-type activities during the year ended December 31, 2007.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation and Accounting (Continued)

The Statement of Net Assets presents the cash and investment balances of the governmental activities of the Library at year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular program. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, and interest earned on grants and contributions required to be used to support a particular function. Receipts which are not classified as program receipts are presented as general receipts of the Library, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the general receipts of the Library.

Fund Financial Statements – During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

C. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

Governmental Funds:

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

STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)

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

C. Fund Accounting (Continued)

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

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Investments with an original maturity of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During fiscal year 2007, investments were limited to certificates of deposits, money market and STAROhio.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2007.

The Library's money market fund investment is recorded at amounts reported by Huntington National Bank on December 31, 2007.

F. Accumulated Leave

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

G. Fund Balance Reserve

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

H. Net Assets

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

I. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The Library had no interfund transfers. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

J. Inventory

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. An extraordinary item is included in the Library's financial statements for insurance amounts resulting from the 2002 fire at the Perry Branch. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library had no special items.

2. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$581,331 for the General Fund. There was no outstanding advance at year end.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories: Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board of Trustees has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and,
8. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS (continued)

Deposits. At year-end, the carrying amount of the Library's deposits was \$1,438,843 and the bank balance was \$1,604,782. Of the bank balance \$196,014 was covered by Federal depository insurance. \$1,408,768 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust department or agent in the Library's name and all State statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Library to a successful claim by the FDIC.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments. Investments are reported at fair value. As of December 31, 2007, the Library had the following investments:

	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less than 1 year</u>
STAR Ohio	<u>\$1,851,932</u>	<u>\$1,851,932</u>

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

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

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The Library's investment policy requires diversification of the portfolio but only states that the investments should be distributed as evenly as possible among the various instruments and institutions. The following is the Library's allocation as of December 31, 2007:

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

4. LIBRARY AND LOCAL GOVERNMENT SUPPORT

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State's personal income tax. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, full-time equivalent employees, General Fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

5. PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in Stark County. Property tax receipts received during 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out-the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2007, was \$1.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$3,480,899,240
Agriculture	131,561,070
Commercial/Industrial/Mineral	1,049,422,340
Public Utility Property	
Real	1,006,670
Personal	193,818,850
Tangible Personal Property	308,971,063
Total Assessed Value	<u>\$5,165,679,233</u>

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

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town St., Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.50 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2007. The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2007, 2006 and 2005 were \$933,049, \$822,328 and \$777,146 respectively.

7. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5.00 percent annually for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

7. POST-EMPLOYMENT BENEFITS (continued)

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

The number of active contributing participants in the traditional pension and combined plans was 374,979. The Stark County District Library contributions for 2007 which were used to fund post employment benefits were \$371,019. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively. The Library has paid all contributions required through December 31, 2007.

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

8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007, the Library obtained commercial insurance. Property insurance was for \$50,194,258 with a \$2,500 deductible. General liability for each occurrence is \$1,000,000 with an aggregate of \$2,000,000 limit and excess liability insurance with a \$5,000,000 limit. Automobile liability has a \$1,000,000 combined single limit of liability.

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

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

9. LEASES

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement. The aggregate required monthly lease payment is \$1,623 with annual increases based on the consumer price index. Minimum rental payments required for the life of the lease is as follows:

2008	\$	19,476
2009	\$	19,476
2010	\$	19,476
	\$	<u>58,428</u>

The Library leases another one of its facilities under a 10-year operating agreement with a required aggregate monthly lease payment of \$1,794 and another facility under a 5-year agreement with a required aggregate monthly lease payment of \$1,365. Facility rent payments were approximately \$63,583 in 2007.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

10. SUBSEQUENT EVENTS

The revenue source for the Library and Local Government Support Fund (LLGSF) since 1985 has been based on a percentage (currently 5.7 percent) of personal income taxes. However, with the passage of Amended Substitute HB 119 beginning in 2008 the fund's source of revenue includes all general revenue taxes, including sales taxes, corporate franchise taxes and public utility taxes. Library funding is 2.22 percent of general revenue taxes.

With the passage of SB 185 by the Ohio legislature and signed by Governor Strickland, the Library and Local Government Support Fund (LLGSF) will be renamed the Public Library Fund (PLF) effective June 20, 2008.

In June 2007 the Library purchased an automated circulation system called Millenium from Innovative Interfaces, Inc. The system went live on February 26, 2008 for use by customers and staff.

11. RESTATEMENT OF BUDGETARY FUND BALANCE

For fiscal year 2007, the Library is restating the budgetary fund balance to remove the affects of the outstanding carryover encumbrance from previous years. The removal of the outstanding carryover encumbrance had the following effect of the Library's budgetary fund balance at January 1, 2007.

	<u>General Fund</u>
Fund Balance December 31, 2006	\$ 787,667
Adjustment for outstanding carryover encumbrance	<u>2,221,726</u>
Fund Balance January 1, 2007, restated	<u>\$3,009,393</u>

12. JOINT VENTURE

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County District Library, Stark County, (the Library) as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 10, 2008, wherein we noted the Library restated its budgetary fund balance to remove the affects of the outstanding carryover encumbrance from previous years. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the Library's management in a separate letter dated July 10, 2008.

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

July 10, 2008



Mary Taylor, CPA
Auditor of State

STARK COUNTY DISTRICT LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2008**