



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Stow-Munroe Falls Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2008, 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Stow-Munroe Falls Public Library, Summit County, Ohio, as of December 31, 2008 and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 15, 2010

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of the Stow-Munroe Falls Public Library (Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2008, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$12,406 or 1.50 percent. The increase in net assets was primarily due to a net increase in cash and cash equivalents. Cash receipts exceeded cash disbursements for 2008.

The Library's general receipts are primarily Public Library Funds ("PLF") reported as Intergovernmental on the financial statements. These receipts represent 61.28 percent of the total cash received for governmental activities during the year.

The Stow-Munroe Falls Public Library voters passed a levy in November 2005 which generated \$798,059 in revenue in 2008. These receipts represent 33.95 percent of the total cash received for governmental activities during the year.

The Stow-Munroe Falls Public Library replaced the signage in the library to better assist the patrons in locating areas throughout the library. The Stow-Munroe Falls Public Library updated the outside cameras to enable the building supervisor(s) to survey the library property for problems that may occur. The Stow-Munroe Falls Public Library replaced furniture throughout the library to be more functional for the library patron(s).

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services 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 cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and PLF.

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

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are reported in one category: governmental.

Governmental Funds – The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements, therefore there are no reconciliations presented with the governmental fund financial statements.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2008 on a cash basis compared to 2007.

(Table 1)
Net Assets

	<u>Governmental</u> <u>2008</u>	<u>Activities</u> <u>2007</u>
Assets		
Cash and Cash Equivalents	<u>\$836,702</u>	<u>\$824,296</u>
Net Assets		
Restricted for:		
Capital Projects	\$240,000	\$240,000
Unrestricted	<u>596,702</u>	<u>584,296</u>
Total Net Assets	<u>\$836,702</u>	<u>\$824,296</u>

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 reflects the changes in net assets in 2008 compared to 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$74,600	\$79,519
General Receipts:		
Unrestricted Gifts and Contributions	6,763	2,966
Property Taxes Levied for General Purpos	798,059	821,181
Grants and Entitlements Not Restricted to Specific Programs	1,440,659	1,458,789
Interest	21,700	48,976
Miscellaneous	8,979	6,885
Total General Receipts	<u>2,276,160</u>	<u>2,338,797</u>
Total Receipts	<u>2,350,760</u>	<u>2,418,316</u>
Disbursements:		
Library Services:		
Public Service and Programs	1,033,464	980,027
Collection Development and Processing	555,017	552,307
Support Services:		
Facilities Operation and Management	454,435	450,520
Business Administration	241,572	242,102
Capital Outlay	53,866	134,373
Total Disbursements	<u>2,338,354</u>	<u>2,359,329</u>
Increase (Decrease) in Net Assets	12,406	58,987
Net Assets, January 1	824,296	765,309
Net Assets, December 31	<u>\$836,702</u>	<u>\$824,296</u>

Program receipts represent only 3.17 percent of total receipts for the year 2008 and only 3.29 percent of total receipts for the year 2007. Program receipts are primarily comprised of patron fines and fees, and restricted contributions and donations. Earnings on Investments became a smaller revenue source during the 2008 period as the rate on investments and amount available for investment decreased.

General receipts represent 96.83 percent of the Library's total receipts for the year 2008 and 96.71 percent of the Library's total receipts for the year 2007. State and federal grants and entitlements (PLF) make up the balance of the Library's general receipts 63.29 percent for the year 2008 and 62.37 percent for the year 2007. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs which account for 44.19 percent, of all governmental disbursements. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State. 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 2008	Net Cost of Services 2008	Total Cost Of Services 2007	Net Cost of Services 2007
Library Services:				
Public Service and Programs	\$1,033,464	\$958,864	\$980,027	\$900,508
Collection Development and Processing	555,017	555,017	552,307	552,307
Support Services:				
Facilities Operation and Maintenance	454,435	454,435	450,520	450,520
Business Administration	241,572	241,572	242,102	242,102
Capital Outlay	53,866	53,866	134,373	134,373
Total Expenses	<u>\$2,338,354</u>	<u>\$2,263,754</u>	<u>\$2,359,329</u>	<u>\$2,279,810</u>

The dependence upon PLF and Property Tax receipts is apparent as over 95 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts in 2008 of \$2,350,760 and disbursements of \$2,338,354. The fund balance of the General Fund increased \$12,406 during 2008. With the passage of the operating levy in November of 2005, the Library is confident of its financial condition and its ability to provide continued and expanded services to its public.

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

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 2008, the Library's General Fund budget was stable. Final disbursements were budgeted at \$2,475,756 while actual disbursements were \$2,390,433. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is a decrease in the fund balance of \$39,673 for 2008.

Current Issues

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

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Sutherland, Fiscal Officer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Building Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$596,702	\$240,000	\$836,702
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$52,078		\$52,078
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	544,624		544,624
Capital Projects Funds		\$240,000	240,000
<i>Total Fund Balances</i>	<u>\$596,702</u>	<u>\$240,000</u>	<u>\$836,702</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,033,464	\$74,600	(\$958,864)
Collection Development and Processing	555,017		(555,017)
Support Services:			
Facilities Operation and Maintenance	454,435		(454,435)
Business Administration	241,572		(241,572)
Capital Outlay	53,866		(53,866)
<i>Total Governmental Activities</i>	<u>2,338,354</u>	<u>74,600</u>	<u>(2,263,754)</u>
General Receipts			
Property Taxes Levied for General Purposes			798,059
Grants and Entitlements not Restricted to Specific Programs			1,440,659
Unrestricted Gifts and Contributions			6,763
Interest			21,700
Miscellaneous			<u>8,979</u>
		<i>Total General Receipts</i>	2,276,160
		Change in Net Assets	12,406
		<i>Net Assets Beginning of Year</i>	<u>824,296</u>
		<i>Net Assets End of Year</i>	<u>\$836,702</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$836,702</u>
Net Assets	
Restricted for:	
Capital Projects	\$240,000
Unrestricted	<u>596,702</u>
<i>Total Net Assets</i>	<u>\$836,702</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Building Fund	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$798,059		\$798,059
Intergovernmental	1,440,659		1,440,659
Patron Fines and Fees	74,600		74,600
Contributions, Gifts and Donations	6,763		6,763
Earnings on Investments	21,700		21,700
Miscellaneous	8,979		8,979
<i>Total Receipts</i>	<u>2,350,760</u>	<u>0</u>	<u>2,350,760</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,033,464		1,033,464
Collection Development and Processing	555,017		555,017
Support Services:			
Facilities Operation and Maintenance	454,435		454,435
Business Administration	241,572		241,572
Capital Outlay	53,866		53,866
<i>Total Disbursements</i>	<u>2,338,354</u>	<u>0</u>	<u>2,338,354</u>
<i>Net Change in Fund Balances</i>	<u>12,406</u>	<u>0</u>	<u>12,406</u>
<i>Fund Balances Beginning of Year</i>	<u>\$584,296</u>	<u>\$240,000</u>	<u>\$824,296</u>
<i>Fund Balances End of Year</i>	<u><u>\$596,702</u></u>	<u><u>\$240,000</u></u>	<u><u>\$836,702</u></u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$795,050	\$815,255	\$798,059	(\$17,196)
Intergovernmental	1,466,977	1,425,710	1,440,659	14,949
Patron Fines and Fees	70,000	70,000	74,600	4,600
Contributions, Gifts and Donations	500	500	6,763	6,263
Earnings on Investments	17,000	17,000	21,700	4,700
Miscellaneous	0	0	8,979	8,979
<i>Total Receipts</i>	<u>2,349,527</u>	<u>2,328,465</u>	<u>2,350,760</u>	<u>22,295</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,110,405	1,102,229	1,063,524	38,705
Collection Development and Processing	552,899	571,685	559,986	11,699
Support Services:				
Facilities Operation and Maintenance	476,432	479,293	464,276	15,017
Business Administration	248,320	259,849	246,986	12,863
Capital Outlay	27,700	62,700	55,661	7,039
<i>Total Disbursements</i>	<u>2,415,756</u>	<u>2,475,756</u>	<u>2,390,433</u>	<u>85,323</u>
<i>Net Change in Fund Balance</i>	(66,229)	(147,291)	(39,673)	107,618
<i>Fund Balance Beginning of Year</i>	518,068	518,068	518,068	0
Prior Year Encumbrances Appropriated	66,229	66,229	66,229	0
<i>Fund Balance End of Year</i>	<u>\$518,068</u>	<u>\$437,006</u>	<u>\$544,624</u>	<u>\$107,618</u>

See accompanying notes to the basic financial statements

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Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 – Description of the Library and Reporting Entity

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

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

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

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

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

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

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from taxes, public library fund receipts and charges for services. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

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

D. Budgetary Process

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2008, investments were limited to STAR Ohio and overnight repurchase agreements. These investments are recorded at cost not STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2008 amounted to \$21,700 which includes \$6,833 from the Building fund.

F. Inventory

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The Library applies restricted resources first when an expense is incurred for purposes for which restricted net assets are available for major capital and technology improvements.

K. Fund Balance Reserves

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$52,078 for 2008.

Note 4 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Library had \$310 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Investments

The Library had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2008		
Repurchase Agreement	\$175,000	"Less than one year"
Star Ohio	<u>720,237</u>	
Total	<u><u>\$895,737</u></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. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Deposits and Investments (continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's \$175,000 investment in a repurchase agreement is to be secured by the specific securities upon which the repurchase agreements are based. The security, held by the counterparty but not in the Library's name, is a Federal Home Loan Mortgage Corp. bond. Securities for this type of repurchase agreement must be obligations or of guaranteed by the United States. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14 (M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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

Note 5 – Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the county's prior intangibles tax of PLF revenues, and its population. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Stow Monroe Falls City School District. Property tax receipts received in 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 2, 2008 on the assessed values as of January 2, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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

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

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 6 - Property Taxes (continued)

2008 tangible personal property taxes are levied after October 1, 2007, on value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, 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, 2008, was \$1.00 (1mill) per \$1,000 of assessed value. Per Summit County Budget Commission Certification of Tax Levy Tax Year 2007/Collection Year 2008, the assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$930,110,710
Public Utility Property	10,924,990
Tangible Personal Property	13,224,271
Total	\$954,259,971

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

Note 7- Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Library contracted for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Arch Insurance Company	Building and	
	Personal Property	\$8,433,586
	Theft	5,000
	Employee	
	Dishonesty	250,000
	General liability	1,000,000

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

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

Note 8 - Defined Benefit Pension Plan

Plan Description: The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 8 - Defined Benefit Pension Plan (continued)

OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll. The portion of employer contribution allocated to health care was 7.00% in 2008 for all employers.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2008, 2007 and 2006 is \$168,703, \$93,803, and \$92,431, respectively; the full amounts have been contributed for all three years.

Note 9 - Postemployment Benefits

Plan Description – OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

Funding Policy – The Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 9 - Postemployment Benefits (continued)

For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active member do not make contributions to the OPEB Plan.

The Library's contributions allocated to fund postemployment healthcare benefits for the year ended December 31, 2008, 2007, and 2006 was \$84,351, \$61,786 and \$45,210 respectively; 100 percent has been contributed for all years.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 10 – Debt

The Stow Munroe Falls City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 1996, the Library Board approved for the School District to place on the ballot, Library General Obligation Bonds in the amount of \$3,952,000 for the renovation of the Library. As of December 31, 2008, the Bonds have been paid in full. These bonds were serviced from a voted property tax levy of the School District.



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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, (the Library) as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 15, 2010, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

September 15, 2010



Mary Taylor, CPA
Auditor of State

STOW-MUNROE FALLS PUBLIC LIBRARY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**