



Auditor of State
Betty Montgomery

STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stark County District Library
Stark County
715 Market Avenue, North
Canton, Ohio 44702-1080

To the Board of Trustees:

We have audited the accompanying financial statements of the Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2002, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As discussed in Note 3 to the financial statements, the Library has reclassified a fund from the Nonexpendable Trust Fund Type to the Expendable Trust Fund Type. Fund balances as of January 1, 2002 have been restated as a result of this reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2003 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stark County District Library
Stark County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 16, 2003

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property and Other Local Taxes			\$128,470			\$128,470
Other Government Grants-In-Aid	\$8,470,590					8,470,590
Patron Fines and Fees	217,681					217,681
Earnings on Investments	72,999	\$77		\$32,150	\$5,021	110,247
Services Provided to Other Entities	23,832	337				24,169
Contributions, Gifts and Donations	13,035	57,789				70,824
Insurance Reimbursement	862,816			763,497		1,626,313
Demutualization (See Note 6)				515,319		515,319
Miscellaneous	94,828	4,406				99,234
Total Cash Receipts	<u>9,755,781</u>	<u>62,609</u>	<u>128,470</u>	<u>1,310,966</u>	<u>5,021</u>	<u>11,262,847</u>
Cash Disbursements:						
Current:						
Salaries and Benefits	6,913,061					6,913,061
Purchased and Contracted Services	951,017	6,348	8,230	158,358		1,123,953
Library Materials and Information	1,884,405	10,679				1,895,084
Supplies	206,316	15,623		31	1,377	223,347
Other	20,411					20,411
Capital Outlay	268,347	4,073		466,692	190,538	929,650
Total Cash Disbursements	<u>10,243,557</u>	<u>36,723</u>	<u>8,230</u>	<u>625,081</u>	<u>191,915</u>	<u>11,105,506</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(487,776)</u>	<u>25,886</u>	<u>120,240</u>	<u>685,885</u>	<u>(186,894)</u>	<u>157,341</u>
Other Financing Receipts/(Disbursements):						
Transfers-In	1,004,137					1,004,137
Transfers-Out			(517,138)	(486,999)		(1,004,137)
Total Other Financing Receipts/(Disbursements)	<u>1,004,137</u>	<u>0</u>	<u>(517,138)</u>	<u>(486,999)</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	516,361	25,886	(396,898)	198,886	(186,894)	157,341
Fund Cash Balances, January 1 (Restated, See Note 3)	<u>1,105,508</u>	<u>130,012</u>	<u>437,142</u>	<u>4,434,807</u>	<u>319,479</u>	<u>6,426,948</u>
Fund Cash Balances, December 31	<u>\$1,621,869</u>	<u>\$155,898</u>	<u>\$40,244</u>	<u>\$4,633,693</u>	<u>\$132,585</u>	<u>\$6,584,289</u>
Reserves for Encumbrances, December 31	<u>\$210,500</u>	<u>\$35,781</u>	<u>\$0</u>	<u>\$623,736</u>	<u>\$34,459</u>	<u>\$904,476</u>

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Nonexpendable Trust
Operating Cash Disbursements:	
Current:	
Library Materials and Information	\$44,884
Operating (Loss)	(44,884)
Non-Operating Cash Receipts:	
Earnings on Investments	4,711
Net Receipts Under Disbursements	(40,173)
Fund Cash Balances, January 1 (Restated, See Note 3)	112,014
Fund Cash Balances, December 31	\$71,841
Reserves for Encumbrances, December 31	\$3,799

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark County District Library, Stark County, (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. 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.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balances. 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 disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund. The Overnight Repurchase Agreement is recorded at the bank balance reported on December 31, 2002

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Hoover Foundation Fund is used to account for the Outreach Vehicle and security at Madge Youtz Branch Library.

Building and Renovations Fund is used to account for donations received for buildings and renovations of the Library.

Stark Community Foundation Fund is used to account for summer reading donations and for electronics for the bookmobiles.

Perry Branch Recovery Fund is used to account for donations for the Perry Heights Branch which was destroyed by fire in June of 2002.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Library had the following significant Debt Service Fund:

Bond Retirement Fund is used to account for the repayment of the 10.5 mill bond for construction and renovations.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Projects Funds:

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. During 2002, this Fund, at a balance of \$2.2 million, transferred \$486,999 to the General Fund due to the decrease in the State Library and Local Government Support Fund.

Permanent Improvement Fund is used to account for new construction.

5. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant Fiduciary Funds:

Expendable Trust Fund is used to account for various bequests received and held by the Library, with both the principal and earnings to be expended for any expenditures of the Library.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Trust Funds) (Continued)

Nonexpendable Trust Fund is used to account for various donations received and held by the Library, with only the earnings on the principal to be expended for the purchase and maintenance of specific book types and Library branches, as well as for audio-visual materials, principally music media.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function legal level of control.

A summary of 2002 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2002
Demand deposits	\$1,576,833
Certificates of deposit	2,010,571
Total deposits	3,587,404
STAR Ohio	2,999,772
Repurchase agreement	68,954
Total investments	3,068,726
Total deposits and investments	\$6,656,130

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form. The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

3. RESTATEMENT OF PRIOR YEAR FUND BALANCES

The Library reclassified one of its Nonexpendable Trust Funds to the Expendable Trust Fund as follows:

	Expendable Trust	Nonexpendable Trust
Fund Balances as stated at December 31, 2001	\$0	\$431,493
Fund Reclassification	319,479	(319,479)
Fund Balances as stated at January 1, 2002	\$319,479	\$112,014
Excess (Deficiency) of Revenues Over Expenditures	\$0	\$318,283
Restatement	319,479	(319,479)
Excess (Deficiency) of Revenues Over Expenditures	\$319,479	(\$1,196)

The Library reclassified the fund to better reflect the purpose and intended nature of fund activity in accordance with the trust agreement.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2002 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,132,760	\$10,454,057	\$678,703
Special Revenue	135,295	72,504	62,791
Debt Service	0	525,368	(525,368)
Capital Projects	3,975,808	1,735,816	2,239,992
Fiduciary	434,042	275,057	158,985
Total	\$15,677,905	\$13,062,802	\$2,615,103

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. GRANTS-IN-AID AND TAX RECEIPTS

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

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

6. DEMUTUALIZATION RECEIPTS

The Anthem Blue Cross and Blue Shield Insurance Company converted from a private mutual insurance company to publicly traded insurance company (a process known as "demutualization"). Generally, policyholders of mutual insurance companies are considered "members" of the mutual insurance company and are entitled to vote on organizational matters such as the election of officers. As a result of the demutualization, eligible members of each company received cash or shares of the companies' new publicly traded common stock in exchange for their membership interests in the former mutual insurance company. Those eligible members who received stock became stockholders of the new public insurance companies. As a result, the Library was a statutory member of the Anthem Insurance Company which received stock. During 2002, the Library sold the stock which was receipted into the Capital Projects Fund.

7. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2002. The Library has paid all contributions required through December 31, 2002.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. RISK MANAGEMENT

Commercial Insurance

The Stark County District Library has obtained commercial insurance for the following risks:

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

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

9. LEASES

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement. The aggregate required monthly lease payment is \$1,502 with annual increases based on the consumer price index. Minimum rental payments required for the life of the lease is as follows:

2003	\$18,024
2004	18,024
2005	18,024
2006	18,024
2007	18,024
2008-2010	<u>46,607</u>
	<u>\$136,727</u>

The Library leased another one of its facilities under a 10-year operating agreement with an aggregate required monthly lease payment of \$1,842. Two other facilities are leased under month-to-month operating lease agreements. The aggregate monthly payment for the month-to-month leases is \$2,700. Facility rent expense was approximately \$77,560 in 2002.

During 2002, the Library entered into a 18-month lease with a commercial real estate company for temporary housing for the Perry Heights Branch which was destroyed by fire in June of 2002. The aggregate monthly payment is \$1,500.

During 2000, the Library entered into a 60-month lease with a telecommunications company to provide data services at a cost of \$3,766 per month. Minimum rental payments required for the life of the data services lease mentioned above is as follows:

2003	\$45,192
2004	45,192
2005	<u>18,830</u>
	<u>\$109,214</u>

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. SUBSEQUENT EVENTS

On January 21, 2003, the Library accepted an offer from the Westfield Insurance Company for approximately \$1,492,508 insurance replacement cost for the Perry Heights Branch Library building. The Library has received \$763,497 as of May 16, 2003. In addition, the Library received \$862,816 in actual cash values on library materials and equipment that were destroyed by fire June of 2002.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Stark County District Library
Stark County
715 Market Avenue, North
Canton, Ohio 44702-1080

To the Board of Trustees:

We have audited the accompanying financial statements of the Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003, in which we noted that the Library reclassified a certain fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated May 16, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 16, 2003.

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Stark County District Library
Stark County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 16, 2003



**Auditor of State
Betty Montgomery**

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STARK COUNTY DISTRICT LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2003**