



**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

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 Stark County District Library, Stark County, Ohio, (the Library), as of and for the year ended December 31, 2005, 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 Stark County District Library, Stark County, Ohio, as of December 31, 2005, and the respective changes in modified 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 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2006 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 20, 2006

## Stark County District Library

### Management's Discussion and Analysis For the Year Ended December 31, 2005 Unaudited

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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, 2005, 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 2005 are as follows:

Net assets of governmental activities increased \$ 2,700,367 or 65.2 percent, a significant change from the prior year. This increase was a direct result of the first year levy receipts from the 1 mill, 5 year operating levy passed in November 2004. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily from the Library and Local Government Support Fund and the 1 mill, 5 year operating levy passed in 2004. These Library and Local Government Support and levy receipts represent 98.0 percent of the total cash received for governmental activities during the year.

The Library filled 44 open positions that had been frozen during prior years budget restrictions. Service hours were extended, including Sunday hours for four locations. In addition, major building improvements included repairs to the Main library roof, the replacement of the entrance canopy at the Jackson Branch, replacement of the HVAC system at the Jackson Branch, and construction of an Americans with Disabilities Act compliant sidewalk at the Lake Community Branch, as well as additions of computer technology and library materials throughout the Library system.

The Library signed an Agreement with the Board of Education of the Plain Local School District on June 21, 2005 to operate a free public library in the new Glen Oak High School/Plain Community Center at 1803 Schneider Street N.E., Canton, Ohio. The new library facility has a total area of 19,380 sq. ft. including joint use area.

The Library contracted with Key Bank to accept credit/debit cards for payment of fines and fees beginning in November 2005. Library patrons have embraced this service and the use of credit/debit card payments increases each month.

#### **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.

Stark County District Library

Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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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.

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2005, 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.

Stark County District Library

Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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, Capital Projects Fund, and Perry Rebuilding Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$4,111,862	\$1,479,880
Investments	2,729,901	2,661,516
Total Assets	<u>6,841,763</u>	<u>4,141,396</u>
<b>Net Assets</b>		
Restricted for:		
Debt Service	515	1,094
Capital Outlay	1,988,727	2,124,330
Permanent Fund	19,431	24,348
Other Purposes	185,249	198,733
Unrestricted	4,647,841	1,792,891
Total Net Assets	<u>\$6,841,763</u>	<u>\$4,141,396</u>

As mentioned previously, net assets of governmental activities increased \$ 2,700,367 or 65.2 percent during 2005. The primary reason for the increase in cash balances is that the first year levy receipts were received from the 1 mill, 5 year operating levy passed in November 2004.

Stark County District Library

Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
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Table 2 reflects the changes in net assets in 2005. A comparative analysis of government-wide data has been presented for years 2005 and 2004.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 235,448	\$ 234,762
Operating Grants and Contributions	18,400	55,988
Capital Grants and Contributions	302,721	205,000
Total Program Receipts	<u>556,569</u>	<u>495,750</u>
General Receipts:		
Property and Other Local Taxes	4,322,047	1,106
Library and Local Government Support	8,335,409	8,390,894
Unrestricted Gifts and Contributions	13,807	18,665
Grants and Entitlements not Restricted to Specific Programs	501,970	0
Interest	192,554	71,410
Miscellaneous	52,287	109,128
Total General Receipts	<u>13,418,074</u>	<u>8,591,203</u>
Total Receipts	<u>13,974,643</u>	<u>9,086,953</u>
Disbursements:		
Library Services:		
Public Service and Programs	6,071,160	5,027,995
Collection Development and Processing	2,334,063	1,827,457
Support Services:		
Facilities Operation and Maintenance	604,751	674,308
Information Services	426,532	259,186
Business Administration	1,197,151	1,489,107
Capital Outlay	640,619	135,114
Debt Service:		
Interest and Fiscal Charges	0	12
Total Disbursements	<u>11,274,276</u>	<u>9,413,179</u>
Increase (Decrease) in Net Assets	2,700,367	(326,226)
Net Assets, Beginning of Year	4,141,396	4,467,622
Net Assets, End of Year	<u>\$ 6,841,763</u>	<u>\$ 4,141,396</u>

Program receipts of \$556,569 are primarily comprised of patron fees, Genealogy fees, maintenance fees, Grants seminars, and capital grants.

Stark County District Library

Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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Virtually all of the Library's total receipts are General receipts, and of the total amount, 98.0 percent are Library and Local Government Support 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 53.8 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 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 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 2005	Net Cost of Services 2005
Library Services	\$8,405,223	(\$8,151,375)
Support Services	2,228,434	(2,228,434)
Capital Outlay	640,619	(337,898)
Total	<u>\$11,274,276</u>	<u>(\$10,717,707)</u>

**The Library's Funds**

Total governmental funds had receipts of \$13,974,643 and disbursements of \$11,274,276. The greatest change within governmental funds occurred within the General Fund, and the primary reason was levy receipts received from the 1 mill, 5 year operating levy passed in November 2004. The Library is continuing to disburse money from the Perry Rebuilding Fund to construct the Perry Library Branch.

**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 2005, the difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$15,489,366 while actual disbursements were \$11,106,866. 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, 2005  
Unaudited

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**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. 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. 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 fiscal year 2006-2007 biennium Ohio State Budget language "freezes" the allocation of the LLGSF at the 2004 levels through the end of the biennium (June 2007).

A State of Ohio Constitutional Amendment is scheduled to appear on the November 2006 ballot termed a Tax Expenditure Limitation (TEL)/Taxpayer's Bill of Rights (TABOR) the passage of which would negatively impact library funding in the State of Ohio. This Amendment could translate into closure of branches, reduced services and hours, reduced spending on library materials and implementation of fees for services that are currently free to the public.

The Library's cooperative building project with the Stark Parks for the Canalway Learning Center to replace the Perry Branch destroyed by fire in 2002 is ongoing with a projected opening in early 2007.

The Plain Community Branch which will open in the fall of 2006 is being built in partnership with Plain Local School District. It will be part of the Plain Community Center and will serve as a free public library as well as the school library for Plain Local's Glen Oak High School. This new location will extend the Library's service footprint into a portion of Stark County which the Library previously served using bookmobiles.

An agreement to purchase shelf-ready Opening Day collections for the two new locations was completed and this agreement will add approximately 70,000 additional items to the Library's collection. 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 Library is exploring a new partnership with the Akron Summit County Public Library to purchase a new circulation system in 2007. This major capital expenditure will improve patron access to library collections and allow access to additional items.

The current labor agreement between the Library and SEIU Local 1199 expires on March 31, 2006. Subsequently, the Library and SEIU Local 1199 approved a new labor contract that will expire on March 31, 2009.

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

Stark County District Library

Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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, Clerk-Treasurer, 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, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,111,862
Investments	<u>2,729,901</u>
<i>Total Assets</i>	<u><u>\$ 6,841,763</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$ 1,988,727
Debt Service	515
Permanent Fund	19,431
Other Purposes	185,249
Unrestricted	<u>4,647,841</u>
<i>Total Net Assets</i>	<u><u>\$ 6,841,763</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, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Library Services:					
Public Service and Programs	\$ 6,071,160	\$ 235,448	\$ -	\$ -	\$ (5,835,712)
Collection Development and Processing	2,334,063	-	18,400	-	(2,315,663)
Support Services:					
Facilities Operation and Maintenance	604,751	-	-	-	(604,751)
Information Services	426,532	-	-	-	(426,532)
Business Administration	1,197,151	-	-	-	(1,197,151)
Capital Outlay	640,619	-	-	302,721	(337,898)
<i>Total Governmental Activities</i>	<u>\$ 11,274,276</u>	<u>\$ 235,448</u>	<u>\$ 18,400</u>	<u>\$ 302,721</u>	(10,717,707)
<b>General Receipts</b>					
Property Taxes Levied for General Purposes					4,322,047
Library and Local Government Support					8,335,409
Unrestricted Gifts and Contributions					13,807
Grants and Entitlements not Restricted to Specific Programs					501,970
Interest					192,554
Miscellaneous					52,287
<i>Total General Receipts</i>					<u>13,418,074</u>
Change in Net Assets					2,700,367
<i>Net Assets Beginning of Year</i>					<u>4,141,396</u>
<i>Net Assets End of Year</i>					<u>\$ 6,841,763</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, 2005

	General	Capital Projects	Perry Rebuilding	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,970,548	\$ 273,072	\$ 207,694	\$ 660,548	\$ 4,111,862
Investments	1,677,293	1,052,608	-	-	2,729,901
<i>Total Assets</i>	<u>\$ 4,647,841</u>	<u>\$ 1,325,680</u>	<u>\$ 207,694</u>	<u>\$ 660,548</u>	<u>\$ 6,841,763</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$ 261,692	\$ -	\$ 205,266	\$ 3,478	\$ 470,436
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	4,386,149	-	-	-	4,386,149
Special Revenue Funds	-	-	-	185,163	185,163
Debt Service Fund	-	-	-	515	515
Capital Projects Funds	-	1,325,680	2,428	455,353	1,783,461
Permanent Fund	-	-	-	16,039	16,039
<i>Total Fund Balances</i>	<u>\$ 4,647,841</u>	<u>\$ 1,325,680</u>	<u>\$ 207,694</u>	<u>\$ 660,548</u>	<u>\$ 6,841,763</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, 2005*

	General	Capital Projects	Perry Rebuilding	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 4,322,047	\$ -	\$ -	\$ -	\$4,322,047
Library and Local Government Support	8,335,409	-	-	-	8,335,409
Intergovernmental	558,031	-	-	7,660	565,691
Patron Fines and Fees	217,060	-	-	-	217,060
Services Provided to Other Entities	18,388	-	-	-	18,388
Contributions, Gifts and Donations	12,529	-	-	258,678	271,207
Earnings on Investments	185,976	-	-	6,578	192,554
Miscellaneous	50,466	-	-	1,821	52,287
<i>Total Receipts</i>	<u>13,699,906</u>	<u>-</u>	<u>-</u>	<u>274,737</u>	<u>13,974,643</u>
<b>Disbursements</b>					
Current:					
Salaries	5,491,836	-	-	-	5,491,836
Employee Fringe Benefits	1,978,316	-	-	-	1,978,316
Purchased and Contracted Services	1,285,091	-	63,434	1,830	1,350,355
Library Materials and Information	1,586,625	-	-	22,042	1,608,667
Supplies	181,722	-	-	3,064	184,786
Other	19,697	-	-	-	19,697
Capital Outlay	301,887	-	220,505	118,227	640,619
<i>Total Disbursements</i>	<u>10,845,174</u>	<u>-</u>	<u>283,939</u>	<u>145,163</u>	<u>11,274,276</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,854,732</u>	<u>-</u>	<u>(283,939)</u>	<u>129,574</u>	<u>2,700,367</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	579	-	-	-	579
Transfers Out	-	-	-	(579)	(579)
<i>Total Other Financing Sources (Uses)</i>	<u>579</u>	<u>-</u>	<u>-</u>	<u>(579)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	2,855,311	-	(283,939)	128,995	2,700,367
<i>Fund Balances Beginning of Year</i>	<u>1,792,530</u>	<u>1,325,680</u>	<u>491,633</u>	<u>531,553</u>	<u>4,141,396</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,647,841</u>	<u>\$ 1,325,680</u>	<u>\$ 207,694</u>	<u>\$ 660,548</u>	<u>\$ 6,841,763</u>
<i>Reserve for Encumbrances</i>	<u>\$ 261,692</u>	<u>\$ -</u>	<u>\$ 205,266</u>	<u>\$ 3,478</u>	<u>\$ 470,437</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 (NON-GAAP BASIS) AND ACTUAL*  
*GENERAL FUND*  
*FOR THE YEAR ENDED DECEMBER 31, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other local taxes	\$ 4,297,101	\$ 4,297,101	\$ 4,322,047	\$ 24,946
Library and local government support	8,638,979	8,335,409	8,335,409	-
Intergovernmental	557,970	557,970	558,031	61
Patrons, fines and fees	200,000	218,000	217,060	(940)
Services provided other entities	18,000	18,000	18,388	388
Contributions, gifts & donations	15,000	15,000	12,529	(2,471)
Earnings on investments	130,000	185,000	185,976	976
Miscellaneous	21,000	73,671	50,466	(23,205)
<b>Total Revenues</b>	<u>13,878,050</u>	<u>13,700,151</u>	<u>13,699,906</u>	<u>(245)</u>
<b>Expenditures:</b>				
Salaries	5,708,350	5,708,350	5,491,836	216,514
Employee fringe benefits	1,981,845	1,981,845	1,980,624	1,221
Purchased and contracted services	1,552,771	1,552,771	1,322,207	230,564
Library materials and information	2,292,395	2,292,395	1,723,072	569,323
Supplies	184,640	184,640	188,358	(3,718)
Other	126,695	126,695	19,697	106,998
Capital outlay	3,642,670	3,642,670	381,072	3,261,598
<b>Total Expenditures</b>	<u>15,489,366</u>	<u>15,489,366</u>	<u>11,106,866</u>	<u>4,382,500</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(1,611,316)</u>	<u>(1,789,215)</u>	<u>2,593,040</u>	<u>4,382,255</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	579	579
<b>Fund Balances at Beginning of Year</b>	<u>1,611,316</u>	<u>1,611,316</u>	<u>1,611,316</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<u>\$ -</u>	<u>\$ (177,899)</u>	<u>\$ 4,204,935</u>	<u>\$ 4,382,834</u>

See accompanying notes to basic financial statements.

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**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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 a seven year term 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.

**B. Basis of Presentation and Accounting**

As discussed further under Basis of Accounting 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 governmental 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, 2005.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

**B. Basis of Presentation and Accounting (Continued)**

The statement of net assets presents the financial condition 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 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 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, 2005  
(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.

*Perry Rebuilding Fund* will be used, in addition to insurance monies and General Fund monies, for the construction of the new Perry/Sippo Branch Library. This Branch will be included as part of the Canalway Learning Center at Sippo Park and is projected to open in early 2007.

**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**

To improve cash management, cash received by the Library is pooled. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds.

During fiscal year 2005, investments were limited to certificates of deposits and STAROhio.

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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

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

**E. Cash and Investments (Continued)**

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, 2005.

Investments with an original maturity of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

**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 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 (and after nonoperating receipts/disbursements in proprietary funds). 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 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, 2005  
(Continued)**

**2. CHANGE IN ACCOUNTING PRINCIPLES**

For 2005, the Library has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*". GASB Statement No. 40 established and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest risk. The Statement also established and modified disclosure requirements for custodial credit risk on deposits.

The implementation of this Statement did not have any effect on the financial statements. Note 4 does; however, provide additional disclosure.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is 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 \$261,692 for the general fund. There was no outstanding advances at year end.

**4. DEPOSITS AND INVESTMENTS**

State statues 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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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;
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. 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;
6. The State Treasurer's investment pool (STAROhio); and,
7. 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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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 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.

**Deposits.** At year-end, the carrying amount of the Library's deposits was \$4,111,862 and the bank balance was \$4,286,629. Of the bank balance \$145,043 was covered by Federal depository insurance. \$4,141,586 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.

**Investments.** Investments are reported at fair value. As of December 31, 2005, the Library had the following investments:

	<b>Investment Maturities</b>	
	<b>Fair Value</b>	<b>Less than 1 year</b>
Certificate of Deposits	\$1,052,608	\$1,052,608
STAR Ohio	1,677,293	1,677,293
Total Investments	<b>\$2,729,901</b>	<b>\$2,729,901</b>

**Certificate of Deposit** is a negotiable certificate of deposit which was matched to a specific fund for construction of the Perry Library Branch.

**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.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**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, 2005:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Certificate of Deposits	38.5%
STAR Ohio	61.4%

**5. 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.

**6. 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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**6. PROPERTY TAX (Continued)**

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, 2005, was \$1.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$3,095,392,420
Agriculture	109,255,280
Commercial/Industrial/Mineral	901,292,350
Public Utility Property	
Real	1,366,560
Personal	196,887,550
Tangible Personal Property	527,992,897
Total Assessed Value	\$4,832,187,057

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

**7. 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 costsharing, 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, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2005. The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2005 and 2004 were \$777,146 and \$631,352, respectively.

**8. 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8.00 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 6.3 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 1 to 6 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional pension and combined plans was 376,109. The Stark County District Library contributions for 2005 which were used to fund post employment benefits were \$229,413. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively. The Library has paid all contributions required through December 31, 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**9. 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 2005, the Library obtained commercial insurance. Property insurance was for \$49,142,538 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.

**10. LEASES**

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement. The aggregate required monthly lease payment is \$1,550 with annual increases based on the consumer price index. Minimum rental payments required for the life of the lease is as follows:

2006	\$	18,600
2007		18,600
2008		18,600
2009		18,600
2010		18,600
	<u>\$</u>	<u>93,000</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. One other facility is leased under a month-to-month operating lease agreement. The aggregate monthly payment for the month-to-month lease is \$1,500. Facility rent payment was approximately \$74,595 in 2005.

During 2000, the Library entered into a 60-month lease with a telecommunications company to provide data service at a cost of \$3,766 per month. The 2005 rental payments for the data services lease mentioned above was \$18,830.

**11. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2005, consisted of the following:

<u>Transfers From</u>	<u>Transfers To General</u>
Nongovernmental funds	<u>\$ 579</u>

The Bond Retirement Fund transferred \$579 to the general fund based on a court order of the unexpended balance.

**STARK COUNTY DISTRICT LIBRARY  
STARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**12. SUBSEQUENT EVENTS**

On May 23, 2006 the Ohio General Assembly passed a Tax Expenditure Limitation (TEL) statute (SB 321) plus legislation which permits the co-chairs of the TEL constitutional amendment committee to remove it from the November 2006 ballot (HB 312). The Ohio Library Council will review the language of the new TEL legislation to evaluate the potential direct and indirect effects on Ohio public libraries.

The Library (May 8, 2006) and SEIU 1199 (April 28, 2006) approved a new labor contract that will expire on March 31, 2009.



## **Auditor of State Betty Montgomery**

### **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 Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 20, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated June 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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*.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for 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

June 20, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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 27, 2006**