



**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 the Stow Munroe Falls Public Library, Summit County, Ohio, (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 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 the Munroe-Falls Public Library, Summit County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

July 11, 2008

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the Stow-Munroe Falls Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2007, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$58,987, or 7.7 percent. The increase in net assets was due to a net increase in cash and cash equivalents. Cash receipts exceeded cash disbursements for 2007.

The Library's general receipts are primarily Library and Local Government Support Fund ("LLGSF"). These receipts represent 56.93 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2007 changed very little compared to 2006 due to a freeze of LLGSF by the Ohio Government.

The Stow-Munroe Falls Public Library passed a levy in November 2005 which generated \$821,181 in revenue. These receipts represent 33.96 percent of the total cash received for governmental activities during the year.

The Stow-Munroe Falls Public Library Board of Trustees transferred \$100,000 from the General Fund to the Building Fund to finance unexpected large dollar capital outlay building repairs and improvements.

The Board of Trustees also appropriated \$100,000 in the General Fund budget to fund disbursements for the Refresh and Renew Project which included interior painting, purchase of new office and other interior furnishings, and computer updates.

At the May 21, 2007, Board Meeting, the Stow-Munroe Falls Public Library Board of Trustees approved the new position: Assistant Head of Library Systems Administrator.

**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.

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Management's Discussion and Analysis  
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**Report Components (continued)**

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.

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 2007, 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, 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 LLGSF.

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 LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.



Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
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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 reported in one category: governmental.

Governmental Funds – The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and Building 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 2007 on a cash basis compared to 2006.

(Table 1)  
**Net Assets**

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Cash and Cash Equivalents	\$ 824,296	\$ 765,309
Total Assets	\$ 824,296	\$ 765,309
 <b>Net Assets</b>		
Unrestricted	824,296	765,309
Total Net Assets	\$ 824,296	\$ 765,309

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
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Table 2 reflects the changes in net assets in 2007

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

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$79,519	\$97,510
General Receipts:		
Unrestricted Gifts and Contributions	2,966	1,658
Property Taxes Levied for General Purposes	821,181	825,559
Grants and Entitlements Not Restricted to Specific Programs	1,458,789	1,471,775
Interest	48,976	35,548
Miscellaneous	6,885	4,594
Total General Receipts	<u>2,338,797</u>	<u>2,339,134</u>
Total Receipts	<u>2,418,316</u>	<u>2,436,644</u>
Disbursements:		
Library Services:		
Public Service and Programs	980,027	930,979
Collection Development and Processing	552,307	582,884
Support Services:		
Facilities Operation and Management	450,520	339,392
Information Services		
Business Administration	242,102	223,525
Capital Outlay	134,373	66,581
Total Disbursements	<u>2,359,329</u>	<u>2,143,361</u>
Increase in Net Assets	58,987	293,283
Net Assets, January 1	<u>765,309</u>	<u>472,026</u>
Net Assets, December 31	<u><u>\$824,296</u></u>	<u><u>\$765,309</u></u>

Program receipts represent only 3.29 percent of total receipts for the year 2007 and only 4.00 percent of total receipts for the year 2006. Program receipts are primarily comprised of patron fines and fees, and restricted contributions and donations. Earnings on Investments became a larger revenue source during the 2007 period as the rate on investments and amount available for investment increased.

General receipts represent 96.71 percent of the Library's total receipts for the year 2007 and 96 percent of the Library's total receipts for the year 2006. State grants and entitlements (LLGSF) make up the balance of the Library's general receipts 62.37 percent for the year 2007 and 62.92 percent for the year 2006. 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, 2007  
Unaudited

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**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 41.53 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 (Disbursements) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local 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 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
Library Services:				
Public Service and Programs	\$980,027	\$900,508	\$930,979	\$833,469
Collection Development and Processing	552,307	552,307	582,884	582,884
Support Services:				
Facilities Operation and Maintenance	450,520	450,520	339,392	339,392
Business Administration	242,102	242,102	223,525	223,525
Capital Outlay	134,373	134,373	66,581	66,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$2,359,329</u>	<u>\$2,279,810</u>	<u>\$2,143,361</u>	<u>\$2,045,851</u>

The dependence upon LLGSF and Property Tax receipts is apparent as over 97 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total governmental funds had receipts in 2007 of \$2,418,316 disbursements of \$2,359,329. The fund balance of the General Fund decreased \$41,013 during 2007 due to a transfer to the Building Fund. 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. This fund received a transfer-in from the General Fund of \$100,000 during 2007.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
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Unaudited

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**General Fund Budgeting Highlights**

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

During 2007, the Library's General Fund budget was stable. Final disbursements, including operating transfers, were budgeted at \$2,714,920 while actual disbursements were \$2,525,558. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$107,242 for 2007.

**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 LLGSF. The uncertain future of the LLGSF 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, Clerk-Treasurer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

**Stow-Munroe Falls Public Library, Summit County**

*Statement of Net Assets - Cash Basis*

*December 31, 2007*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$824,296</u>
<b>Net Assets</b>	
Unrestricted	<u>\$824,296</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, 2007*

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>  <u>Charges for Services and Sales</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>  <u>Governmental Activities</u>
<b>Governmental Activities</b>			
Library Services:			
Public Service and Programs	\$980,027	\$79,519	(\$900,508)
Collection Development and Processing	552,307		(552,307)
Support Services:			
Facilities Operation and Maintenance	450,520		(450,520)
Business Administration	242,102		(242,102)
Capital Outlay	134,373		(134,373)
<i>Total Governmental Activities</i>	<u>\$2,359,329</u>	<u>\$79,519</u>	<u>(2,279,810)</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			821,181
Grants and Entitlements not Restricted to Specific Programs			1,458,789
Unrestricted Gifts and Contributions			2,966
Interest			48,976
Miscellaneous			6,885
		<i>Total General Receipts</i>	2,338,797
		Change in Net Assets	58,987
		<i>Net Assets Beginning of Year</i>	765,309
		<i>Net Assets End of Year</i>	<u>\$824,296</u>

See accompanying notes to the basic financial statements

**Stow-Munroe Falls Public Library, Summit County**

*Statement of Cash Basis Assets and Fund Balances*

*Governmental Funds*

*December 31, 2007*

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	General	Building Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$584,296	\$240,000	\$824,296
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	66,229		66,229
Unreserved:			
Undesignated, Reported in:			
General Fund	518,067		518,067
Capital Projects Funds		240,000	240,000
<i>Total Fund Balances</i>	<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </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, 2007*

	General	Building Fund	Total Governmental Funds
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$821,181		\$821,181
Intergovernmental	1,458,789		1,458,789
Patron Fines and Fees	79,519		79,519
Contributions, Gifts and Donations	2,966		2,966
Earnings on Investments	48,976		48,976
Miscellaneous	6,885		6,885
<i>Total Cash Receipts</i>	<u>2,418,316</u>		<u>2,418,316</u>
<b>Cash Disbursements</b>			
Current:			
Library Services:			
Public Service and Programs	980,027		980,027
Collection Development and Processing	552,307		552,307
Support Services:			
Facilities Operation and Maintenance	450,520		450,520
Business Administration	242,102		242,102
Capital Outlay	134,373		134,373
<i>Total Cash Disbursements</i>	<u>2,359,329</u>		<u>2,359,329</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	58,987		58,987
<b>Other Financing Sources (Uses)</b>			
Transfers In		\$100,000	100,000
Transfers out	(100,000)		(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	
<i>Net Change in Fund Balances</i>	(41,013)	100,000	58,987
<i>Fund Balances Beginning of Year</i>	<u>625,309</u>	<u>140,000</u>	<u>765,309</u>
<i>Fund Balances End of Year</i>	<u><u>\$584,296</u></u>	<u><u>\$240,000</u></u>	<u><u>\$824,296</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, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$807,675	\$819,903	\$821,181	\$1,278
Intergovernmental	1,567,563	1,458,766	1,458,789	23
Patron Fines and Fees	77,500	77,500	79,519	2,019
Contributions, Gifts and Donations	500	500	2,966	2,466
Earnings on Investments	13,000	13,000	48,976	35,976
Miscellaneous			6,885	6,885
<i>Total receipts</i>	<u>2,466,238</u>	<u>2,369,669</u>	<u>2,418,316</u>	<u>48,647</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	1,052,708	1,026,781	1,009,732	17,049
Collection Development and Processing	695,318	694,215	563,152	131,063
Support Services:				
Facilities Operation and Maintenance	462,344	486,918	466,001	20,917
Business Administration	254,551	267,006	249,600	17,406
Capital Outlay	50,000	140,000	137,073	2,927
<i>Total Disbursements</i>	<u>2,514,921</u>	<u>2,614,920</u>	<u>2,425,558</u>	<u>189,362</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(48,683)</u>	<u>(245,251)</u>	<u>(7,242)</u>	<u>238,009</u>
<b>Other Financing Uses</b>				
Transfers Out		(100,000)	(100,000)	
<i>Net Change in Fund Balance</i>	<u>(48,683)</u>	<u>(345,251)</u>	<u>(107,242)</u>	<u>238,009</u>
<i>Fund Balance Beginning of Year</i>	<u>576,627</u>	<u>576,627</u>	<u>576,627</u>	
Prior Year Encumbrances Appropriated	<u>48,682</u>	<u>48,682</u>	<u>48,682</u>	
<i>Fund Balance End of Year</i>	<u><u>\$576,626</u></u>	<u><u>\$280,058</u></u>	<u><u>\$518,067</u></u>	<u><u>\$238,009</u></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, 2007*

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#### **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 Ohio 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 Clerk-Treasurer.

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.

#### **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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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, within the limitations of the cash basis of accounting, 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 revenue.

**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, intergovernmental receipts and charges for services.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Governmental Funds (continued)

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:

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 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 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 Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflects the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflects 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 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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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."

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 2007, investments were limited to STAR Ohio and over-night repurchase agreements. These investments are recorded at cost.

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 Rule 2a7 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, 2007.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2007 amounted to \$48,976 which includes \$14,505 from other Library funds.

**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, 2007*

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**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 of other governments. The Library has no restricted net assets.

**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 are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$66,229 for 2007.

**Note 4 - Deposits and Investments**

Monies held by the Library are classified by State statute 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.

**Stow-Munroe Falls Public Library**  
**Summit County**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 4 - Deposits and Investments** (continued)

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;
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 \$300 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, 2007		
Repurchase Agreement	\$125,000	January 2, 2008
Star Ohio	<u>\$803,563</u>	Average - 44 Days
Total	<u>\$928,563</u>	



**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 4 - Deposits and Investments** (continued)

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.

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 \$125,000 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 of or 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 – Grants-In-Aid (Library and Local Government Support Fund)**

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF 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.

**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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

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

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

**Stow-Munroe Falls Public Library**  
**Summit County**

*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2007*

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**Note 6 - Property Taxes** (continued)

2007 tangible property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent.

This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments 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 3, with the remainder due September 20.

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

Real Property	\$930,110,710
Public Utility Property	13,409,080
Tangible Personal Property	<u>40,807,711</u>
Total Assessed Values	<u><u>\$984,327,501</u></u>

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

**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 2007, 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	\$8,269,519
	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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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**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 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 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional 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 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Library's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1, through June 30, 2007, a portion of the Library's contribution equal to 5 percent of covered payroll, was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$93,803, \$92,431, and \$85,965 respectively. The full amount has been contributed for all three years.

**Note 9 - Postemployment Benefits**

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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**Note 9 - Postemployment Benefits (continued)**

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 through December 31, 2007. The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$61,786, \$45,210, and \$36,006 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 healthcare 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 June 30, 2007 (the latest information available) principal outstanding was \$840,000. These bonds are being serviced from a voted property tax levy of the School District and are reflected as a liability on the School District’s financial statements.



# 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, Ohio, (the Library) as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 11, 2008, wherein we noted the Library follows the cash basis of accounting which is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the Library's management in a separate letter dated July 11, 2008.

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### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 11, 2008



**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**  
**AUGUST 12, 2008**