



Dave Yost • Auditor of State



**MASSILLON PUBLIC LIBRARY  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Massillon Public Library  
Stark County  
208 Lincoln Way East  
Massillon, Ohio 44646

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Massillon Public Library, Stark County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Massillon Public Library, Stark County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and McClymond's Library Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position and changes in net position, governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 23, 2015

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**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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This discussion and analysis of the Massillon Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2013, 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 2013 are as follows:

- Net position of governmental activities decreased \$33,944, or 3 percent, from the prior year.
- The Library's general receipts are primarily property taxes and public library funding (PLF). These receipts represent respectively 32 percent and 59 percent of the total cash received for governmental activities during the year. Property tax receipts decreased approximately 12 percent and PLF increased approximately 2 percent.

**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 Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

The Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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**Reporting the Library as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2013, within the limitations of cash basis accounting. The Statement of Net Position 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 activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the Statement of Net Position and the Statement of Activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services and capital outlay. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are categorized 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 non-major 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 the McClymonds Library Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 on a cash basis.

(Table 1)  
**Net Position**

	<b>Governmental Activities</b>	
	2013	2012
<b>Assets</b>		
Cash and Cash Equivalents	\$1,241,505	\$1,275,449
Total Assets	\$1,241,505	\$1,275,449
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$98,578	\$82,339
Permanent Fund - Nonexpendable	22,001	21,998
Other Purposes	400,095	403,851
Unrestricted	720,831	767,261
Total Net Position	\$1,241,505	\$1,275,449

As mentioned previously, net position of governmental activities decreased \$33,944 or 3 percent during 2013. The primary reasons contributing to the change in cash balances are as follows:

- The Library paid \$18,118 to migrate our interlibrary loan system (ILS) to a system named Sierra. The Library also paid \$16,100 to an engineering firm for a drainage study to evaluate the cause of water problems experienced from a shared easement. While these costs are significant in nature, the real explanation for why there was a decrease in net position in 2013 is that it costs more to run the Library than we receive in revenues. While every effort is made to reduce costs, we maintain a building with sections over 180 years old and other sections over 80 years old, have experienced several consecutive years of record usage, and must operate with state funding at 1996 levels and staffing at 2006 levels.

Table 2 reflects the changes in net position on a cash basis in 2013 and 2012 for governmental activities.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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

	Governmental Activities	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$44,472	\$44,469
Operating Grants and Contributions	2,467	13,568
Capital Grants and Contributions	5,000	0
Total Program Receipts:	51,939	58,037
General Receipts:		
Property Taxes	702,325	799,227
Grants and Entitlement not Restricted to Specific Programs	1,377,387	1,360,203
Unrestricted Gifts and Contributions Grants	21,706	7,706
Interest	950	892
Miscellaneous	11,957	12,784
Total General Receipts	2,114,325	2,180,812
Total Receipts	2,166,264	2,238,849
Cash Disbursements:		
Library Services	2,124,677	2,216,092
Capital Outlay	75,531	74,101
Total Disbursements	2,200,208	2,290,193
Increase (Decrease) in Net Position	(33,944)	(51,344)
Net Position January 1	1,275,449	1,326,793
Net Position December 31	\$1,241,505	\$1,275,449

Program receipts represent only 2 percent of total receipts and are primarily comprised of charges for services, operating grants and contributions and capital grants and contributions.

General receipts represent 98 percent of the Library's total receipts, and of this amount, 98 percent are unrestricted state entitlements ("PLF") and property taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column listed on the statement of activities shows the major services provided by the Library. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for library services which account for 98 percent of all governmental disbursements. The next three columns of the Statement entitled Program 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 money provided by local taxpayers. 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.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Library Services	\$2,124,677	\$2,077,738	\$2,216,092	\$2,158,055
Capital Outlay	75,531	70,531	74,101	74,101
<b>Total</b>	<b>\$2,200,208</b>	<b>\$2,148,269</b>	<b>\$2,290,193</b>	<b>\$2,232,156</b>

The dependence upon "PLF" and property and other tax receipts is apparent as approximately 98 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total General Fund receipts were \$2,160,558 and disbursements were \$2,169,887. The fund balance of the General Fund decreased \$46,429. The primary reasons contributing to the change in cash balance are as follows:

- The Library paid \$18,118 to migrate our interlibrary loan system (ILS) to a system named Sierra. The Library also paid \$16,100 to an engineering firm for a drainage study to evaluate the cause of water problems experienced from a shared easement. While these costs are significant in nature, the real explanation for why there was a decrease in net position in 2013 is that it costs more to run the Library than we receive in revenues. While every effort is made to reduce costs, we maintain a building with sections over 180 years old and other sections over 80 years old, have experienced several consecutive years of record usage, and must operate with state funding at 1996 levels and staffing at 2006 levels.

**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 2013, the Library amended its General Fund budget several times to reflect changing circumstances. Actual receipts were \$63,892 below budgeted receipts. Actual disbursements were \$183,013 less than budgeted. Anticipated increases in health insurance costs came in below expectation in 2013. Also, 2013 was a baseline year for budgeting with a new Fiscal Officer and Director team.

**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. The Library relies heavily on the "PLF" and its operating levy to provide quality service to its patrons.

**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 Massillon Public 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 Fiscal Officer, Massillon Public Library, 208 Lincoln Way East, Massillon, Ohio 44646.

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**Massillon Public Library**  
**Stark County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,241,505</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$98,578
Nonexpendable	22,001
Other Purposes	400,095
Unrestricted	<u>720,831</u>
<i>Total Net Position</i>	<u>\$1,241,505</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Library Services	\$2,124,677	\$44,472	\$2,467		(\$2,077,738)
Capital Outlay	75,531			\$5,000	(70,531)
<i>Total Governmental Activities</i>	<u>\$2,200,208</u>	<u>\$44,472</u>	<u>\$2,467</u>	<u>\$5,000</u>	<u>(\$2,148,269)</u>
		General Receipts:			
					702,325
					21,706
					1,377,387
					950
					<u>11,957</u>
					<u>2,114,325</u>
					(33,944)
					<u>1,275,449</u>
					<u>\$1,241,505</u>

See accompanying notes to the basic financial statements



**Massillon Public Library**  
**Stark County**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	General Fund	McClymonds Library Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$720,832	\$399,765	\$120,908	\$1,241,505
<b>Fund Balances</b>				
Nonspendable			\$22,001	\$22,001
Restricted			330	330
Committed		\$399,765	98,577	498,342
Unassigned (Deficit)	\$720,832			720,832
<i>Total Fund Balances</i>	\$720,832	\$399,765	\$120,908	\$1,241,505

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	McClymonds Library Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$702,325			\$702,325
Public Library	1,267,971			1,267,971
Intergovernmental	109,416			109,416
Patron Fines and Fees	44,472			44,472
Contributions, Gifts and Donations	21,706		\$5,000	26,706
Earnings on Investments	244	\$589	117	950
Miscellaneous	14,424			14,424
<i>Total Receipts</i>	<u>2,160,558</u>	<u>589</u>	<u>5,117</u>	<u>2,166,264</u>
<b>Disbursements</b>				
Library Services	2,120,331		4,346	2,124,677
Capital Outlay	49,556		25,975	75,531
<i>Total Disbursements</i>	<u>2,169,887</u>	<u>0</u>	<u>30,321</u>	<u>2,200,208</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,329)</u>	<u>589</u>	<u>(25,204)</u>	<u>(33,944)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			37,100	37,100
Transfers Out	(37,100)			(37,100)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,100)</u>	<u>0</u>	<u>37,100</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(46,429)	589	11,896	(33,944)
<i>Fund Balances Beginning of Year</i>	<u>767,261</u>	<u>399,176</u>	<u>109,012</u>	<u>1,275,449</u>
<i>Fund Balances End of Year</i>	<u>\$720,832</u>	<u>\$399,765</u>	<u>\$120,908</u>	<u>\$1,241,505</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$800,000	\$800,000	\$702,325	(\$97,675)
Public Library	1,235,000	1,235,000	1,267,971	32,971
Intergovernmental	120,000	120,000	109,416	(10,584)
Patron Fines and Fees	45,000	45,000	44,472	(528)
Contributions, Gifts and Donations	5,000	5,000	21,706	16,706
Earnings on Investments	300	300	244	(56)
Miscellaneous	19,150	19,150	14,424	(4,726)
<i>Total Receipts</i>	<u>2,224,450</u>	<u>2,224,450</u>	<u>2,160,558</u>	<u>(63,892)</u>
<b>Disbursements</b>				
Library Services	2,342,046	2,295,267	2,120,331	174,936
Capital Outlay	10,854	57,633	49,556	8,077
<i>Total Disbursements</i>	<u>2,352,900</u>	<u>2,352,900</u>	<u>2,169,887</u>	<u>183,013</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(128,450)</u>	<u>(128,450)</u>	<u>(9,329)</u>	<u>119,121</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(57,100)	(57,100)	(37,100)	20,000
<i>Total Other Financing Sources (Uses)</i>	<u>(57,100)</u>	<u>(57,100)</u>	<u>(37,100)</u>	<u>20,000</u>
<i>Net Change in Fund Balance</i>	<u>(185,550)</u>	<u>(185,550)</u>	<u>(46,429)</u>	<u>139,121</u>
<i>Fund Balance Beginning of Year</i>	<u>767,261</u>	<u>767,261</u>	<u>767,261</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$581,711</u>	<u>\$581,711</u>	<u>\$720,832</u>	<u>\$139,121</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*McClymonds Library Fund*  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Earnings on Investments	\$500	\$500	\$589	\$89
<i>Total Receipts</i>	500	500	589	89
<i>Net Change in Fund Balance</i>	500	500	589	89
<i>Fund Balance Beginning of Year</i>	399,176	399,176	399,176	0
<i>Fund Balance End of Year</i>	\$399,676	\$399,676	\$399,765	\$89

See accompanying notes to the basic financial statements

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013*

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**Note 1 – Description of the Library and Reporting Entity**

Massillon Public Library, Stark County, Ohio, (the Library) was organized as a school district public library in 1922 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Massillon City School's Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Massillon City School's 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 Massillon City School's Board of Education.

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 Massillon Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The funds maintained by the organization are not significant in amount to the Library's total resources.

The Library participated in two joint ventures, the Barry Askren Memorial Branch and the Stark Library Information Consortium. These organizations are described in Note 11 of the Notes to the Basic Financial Statements.

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, 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.

**A. Basis of Presentation**

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and the Statement of Activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

The Statement of Net Position presents the cash balance of the governmental activities of the Library at year's 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

**Fund Financial Statements**

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

**B. Fund Accounting (continued)**

**Governmental Funds**

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions. 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 accounts for all financial resources except those required to be accounted for in another 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.

McClymonds Library Fund – The McClymonds Library fund accounts for expendable monies received for the benefit of the citizens of the Massillon Public Library. Per the original bequest, only the interest could be spent for purchase and acquisition of books and other literature and for the repairing and re-binding of books and magazines.

**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.

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 liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

The Library's 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 level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

**D. Budgetary Process (continued)**

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

**E. Cash and Cash Equivalents**

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

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 receipts or negative receipts, respectively.

During 2013, the Library added STAR Plus as an investment vehicle and then the Library investments were held in both STAR Ohio and STAR Plus during the year.

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, 2013.

STAR Plus is an FDIC-insured investment program that has been fully reviewed and endorsed by the State Treasurer of Ohio. The program offers attractive yields with no market or credit risk, weekly liquidity with penalty free withdrawals. Participants in STAR Plus must be participating in STAR Ohio.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2013 amounted to \$244.

**F. Inventory and Prepaid Items**

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



**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

**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 post-retirement health care benefits.

**J. Net Position**

Net position 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. Net position restricted for other purposes include the revenue sources that are restricted for the Library own programs.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

**K. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

K. Fund Balance (continued)

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Library had the following interfund transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Projects - Building and Repair Fund	\$37,100

**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 and the McClymonds Library Fund are 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 that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). There were no outstanding encumbrances at year end.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 4 – Deposits and Investments**

A. Library

Monies held by the Library are classified by State statute into three categories.

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

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

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

Interim monies held by the Library can 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; and
7. The Ohio Subdivision Fund (STAR Ohio), the Ohio Subdivision Bank Deposit Program (STAR Plus), and any other investment program as permissible under Section 135.145 of the Ohio Revised Code.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

A. Library (continued)

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 \$1,500 in undeposited, petty cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

B. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Library's deposits was \$617,641 and the bank balances were \$698,549. The Library's bank balance of \$698,549 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

C. Investments

As of December 31, 2013, the Library had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$622,364	Less than 3 months

Interest rate risk arises because the fair value of investment changes as interest rates change. 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.

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.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 5 – Public Library Fund**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF was enacted by the State of Ohio as the funding mechanism for Ohio public libraries in January 2008. The PLF is a fixed 2.22% of the total General Revenue Fund (GRF) tax revenue from the preceding month and is distributed to each county monthly through an equalization formula. However, the 2009-2011 State of Ohio biennium budget temporarily reduced the Public Library Fund to 1.97 percent of the total GRF tax revenue and HB153, the Fiscal Year 2011-2013 State of Ohio biennium budget, alters the PLF funding structure and allocation formula by reducing the Public Library Fund to 95 percent of the Fiscal Year 2011 PLF distribution and also reduces and/or eliminates the Tangible Personal Property Tax (TPPT) replacement. In July 2013, state law required a one-time calculation of the new funding percentages by the tax commissioner. The updated funding percentage effective July 2013 is 1.66 percent of the total GRF tax revenue.

The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, full-time equivalent employees, circulation, service area population, number of cardholders, door count, website visits, expenditures for library materials and expenditures on technology. 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 and public utility property located in the Massillon City School District and the Villages of Navarre and Brewster.

Property tax receipts received in 2013 for real and public utility property taxes represents collections of the 2012 taxes. Property tax payments received during 2013 for public utility property is for 2013 taxes.

2013 real property taxes are levied after October 1, 2012 on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien on December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2013, was \$1.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2013 property tax receipts were based are as follows:

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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

Real Property	\$406,954,440
Public Utility Property	23,404,620
Total Assessed Values	\$430,359,060

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 2013, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Westfield Insurance	Commercial Property	\$9,700,026
	General Liability	3,000,000
	Vehicle	1,000,000
Chubb Group	Errors and Omissions	5,000,000 aggregate

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

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

**Note 8 - Defined Benefit Pension Plan**

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate retirement 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 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 has a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 8 - Defined Benefit Pension Plan (continued)**

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Library's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits.

The Library's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$141,795, \$147,141, and \$153,257, respectively. The full amount has been contributed for 2013, 2012 and 2011.

**Note 9 – Post-employment Benefits**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend health care benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are provided separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 9 – Post-employment Benefits (continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the both the Traditional Pension Plan and the Combined Plan was 1.00 percent during calendar year 2013.

The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$10,124, \$42,822, and \$44,689, respectively; 100 percent has been contributed for 2013, 2012 and 2011.

**Note 10 – Leases**

The Library leases buildings and other equipment. The Library disbursed \$5,496 to pay lease costs for the year ended December 31, 2013. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$5,596
2015	5,596
2016	2,560
2017	100
2018	100
2019-2023	500
2024-2028	500
2029-2033	500
2034-2038	500
2039-2043	500
2044-2048	500
2049-2053	500
2054-2055	<u>200</u>
Total	<u>\$ 17,652</u>



**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013  
(continued)*

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**Note 11 – Joint Ventures**

The Barry Askren Memorial Branch is a joint venture with the Towpath-YMCA. According to the lease agreement, the Library leases the building at a cost of \$100 per year. The Library is responsible for staffing the building while open to the public.

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

**Note 11 – Joint Ventures (continued)**

from Stark County District Library. In 2013, Millennium was upgraded to a system called Sierra. This system functions in the same capacity, but was implemented to provide better staff access and reporting capabilities.

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**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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This discussion and analysis of the Massillon Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2012, 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 2012 are as follows:

- Net position of governmental activities decreased \$51,344, or 4 percent, from the prior year.
- The Library's general receipts are primarily property taxes and public library funding (PLF). These receipts represent respectively 36 percent and 55 percent of the total cash received for governmental activities during the year. Property tax receipts increased approximately 6 percent and PLF decreased approximately 4 percent.

**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 Position and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

The Library adopts an annual appropriated budget. A budgetary comparison report demonstrates compliance with this budget.

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.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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**Reporting the Library as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Library did financially during 2012, within the limitations of cash basis accounting. The Statement of Net Position 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 activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

In the Statement of Net Position and the Statement of Activities, the Library reports all financial activity as Governmental Activities. This activity includes all the Library's basic activities, including library services and capital outlay. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are categorized 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 non-major 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 the McClymonds Library Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

**The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2012 compared to 2011 on a cash basis.

(Table 1)  
**Net Position**

	<b>Governmental Activities</b>	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$1,275,449	\$1,326,793
Total Assets	<u>\$1,275,449</u>	<u>\$1,326,793</u>
<b>Net Position</b>		
Restricted for:		
Capital Projects	\$82,339	\$95,277
Permanent Fund - Nonexpendable	21,998	23,671
Other Purposes	403,851	400,623
Unrestricted	<u>767,261</u>	<u>807,222</u>
Total Net Position	<u>\$1,275,449</u>	<u>\$1,326,793</u>

As mentioned previously, net position of governmental activities decreased \$51,344 or 4 percent during 2012. The primary reasons contributing to the change in cash balances are as follows:

- The Library purchased new flooring for the main circulation desk area which cost \$22,044 and the Library paid \$7,735 to have a crosswalk put in that connects the visitor parking lot to the ground level entrance to the Library. While these costs are significant in nature, the real explanation for why there was a decrease in net position in 2012 is that it costs more to run the Library than we receive in revenues. While every effort is made to reduce costs, we maintain a building with sections over 180 years old and other sections over 80 years old, have experienced several consecutive years of record usage, and must operate with state funding at 1996 levels and staffing at 2006 levels.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities.

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

	Governmental Activities	
	2012	2011
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$44,469	\$45,117
Operating Grants and Contributions	13,568	9,899
Capital Grants and Contributions	0	15,000
Total Program Receipts:	58,037	70,016
General Receipts:		
Property Taxes	799,227	751,217
Grants and Entitlement not Restricted to Specific Programs	1,360,203	1,402,157
Unrestricted Gifts and Contributions Grants	7,706	4,911
Interest	892	929
Miscellaneous	12,784	16,028
Total General Receipts	2,180,812	2,175,242
Total Receipts	2,238,849	2,245,258
Cash Disbursements:		
Library Services	2,216,092	2,279,868
Capital Outlay	74,101	158,827
Total Disbursements	2,290,193	2,438,695
Increase (Decrease) in Net Position	(51,344)	(193,437)
Net Position January 1	1,326,793	1,520,230
Net Position December 31	\$1,275,449	\$1,326,793

Program receipts represent only 3 percent of total receipts and are primarily comprised of charges for services and operating grants and contributions.

General receipts represent 97 percent of the Library's total receipts, and of this amount, 99 percent are unrestricted state entitlements ("PLF") and property taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

**Governmental Activities**

If you look at the Statement of Activities on page 36, you will see that the first column listed on the statement of activities shows the major services provided by the Library. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for library services which account for 97 percent of all governmental disbursements. The next two columns of the Statement entitled Program 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 money provided by local taxpayers. 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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Library Services	\$2,216,092	\$2,158,055	\$2,279,868	\$2,209,852
Capital Outlay	74,101	74,101	158,827	158,827
<b>Total</b>	<b>\$2,290,193</b>	<b>\$2,232,156</b>	<b>\$2,438,695</b>	<b>\$2,368,679</b>

The dependence upon "PLF" and property and other tax receipts is apparent as over 97 percent of governmental activities are supported through these general receipts.

**The Library's Funds**

Total General Fund receipts were \$2,229,564 and disbursements were \$2,239,525. The fund balance of the General Fund decreased \$39,961. The primary reasons contributing to the change in cash balance are as follows:

- The Library purchased new flooring for the main circulation desk area which cost \$22,044 and the Library paid \$7,735 to have a crosswalk put in that connects the visitor parking lot to the ground level entrance to the Library. While these costs are significant in nature, the real explanation for why there was a decrease in net position in 2012 is that it costs more to run the Library than we receive in revenues. While every effort is made to reduce costs, we maintain a building with sections over 180 years old and other sections over 80 years old, have experienced several consecutive years of record usage, and must operate with state funding at 1996 levels and staffing at 2006 levels.

**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 2012, the Library amended its General Fund budget several times to reflect changing circumstances. Actual receipts were \$51,786 above budgeted receipts. Actual disbursements were \$127,475 less than budgeted.

**Massillon Public Library**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2012*  
*Unaudited*

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**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. The Library relies heavily on the "PLF" and its operating levy to provide quality service to its patrons.

**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 Massillon Public 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 Fiscal Officer, Massillon Public Library, 208 Lincoln Way East, Massillon, Ohio 44646.



**Massillon Public Library**  
**Stark County**  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,275,449</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$82,339
Nonexpendable	21,998
Other Purposes	403,851
Unrestricted	<u>767,261</u>
<i>Total Net Position</i>	<u>\$1,275,449</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Library Services	\$2,216,092	\$44,469	\$13,568	\$0	(\$2,158,055)
Capital Outlay	74,101				(74,101)
<i>Total Governmental Activities</i>	<u>\$2,290,193</u>	<u>\$44,469</u>	<u>\$13,568</u>	<u>\$0</u>	<u>(\$2,232,156)</u>
		General Receipts:			
					799,227
					7,706
					1,360,203
					892
					<u>12,784</u>
					<u>2,180,812</u>
					(51,344)
					<u>1,326,793</u>
					<u>\$1,275,449</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2012*

	General Fund	McClymonds Library Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$767,261	\$399,176	\$109,012	\$1,275,449
<b>Fund Balances</b>				
Nonspendable			\$21,998	\$21,998
Restricted			4,675	4,675
Committed		\$399,176	82,339	481,515
Unassigned (Deficit)	\$767,261			767,261
<i>Total Fund Balances</i>	\$767,261	\$399,176	\$109,012	\$1,275,449

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	McClymonds Library Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$799,227			\$799,227
Public Library	1,241,060			1,241,060
Intergovernmental	119,143		\$5,200	124,343
Patron Fines and Fees	44,469			44,469
Contributions, Gifts and Donations	7,706		3,700	11,406
Earnings on Investments	507	\$320	65	892
Miscellaneous	17,452			17,452
<i>Total Receipts</i>	<u>2,229,564</u>	<u>320</u>	<u>8,965</u>	<u>2,238,849</u>
<b>Disbursements</b>				
Library Services	2,208,424	241	50,427	2,259,092
Capital Outlay	31,101			31,101
<i>Total Disbursements</i>	<u>2,239,525</u>	<u>241</u>	<u>50,427</u>	<u>2,290,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,961)</u>	<u>79</u>	<u>(41,462)</u>	<u>(51,344)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			30,000	30,000
Transfers Out	(30,000)			(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>0</u>	<u>30,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(39,961)</u>	<u>79</u>	<u>(11,462)</u>	<u>(51,344)</u>
<i>Fund Balances Beginning of Year</i>	<u>807,222</u>	<u>399,097</u>	<u>120,474</u>	<u>1,326,793</u>
<i>Fund Balances End of Year</i>	<u>\$767,261</u>	<u>\$399,176</u>	<u>\$109,012</u>	<u>\$1,275,449</u>

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$800,000	\$800,000	\$799,227	(\$773)
Public Library	1,185,778	1,185,778	1,241,060	55,282
Intergovernmental	120,000	120,000	119,143	(857)
Patron Fines and Fees	46,000	46,000	44,469	(1,531)
Contributions, Gifts and Donations	5,000	5,000	7,706	2,706
Earnings on Investments	1,000	1,000	507	(493)
Miscellaneous	20,000	20,000	17,452	(2,548)
<i>Total Receipts</i>	2,177,778	2,177,778	2,229,564	51,786
<b>Disbursements</b>				
Library Services	2,332,000	2,334,522	2,208,424	126,098
Capital Outlay	35,000	32,478	31,101	1,377
<i>Total Disbursements</i>	2,367,000	2,367,000	2,239,525	127,475
<i>Excess of Receipts Over (Under) Disbursements</i>	(189,222)	(189,222)	(9,961)	179,261
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Transfers Out	(43,000)	(43,000)	(30,000)	13,000
<i>Total Other Financing Sources (Uses)</i>	(43,000)	(43,000)	(30,000)	13,000
<i>Net Change in Fund Balance</i>	(232,222)	(232,222)	(39,961)	192,261
<i>Fund Balance Beginning of Year</i>	807,222	807,222	807,222	0
<i>Unencumbered Fund Balance End of Year</i>	\$575,000	\$575,000	\$767,261	\$192,261

See accompanying notes to the basic financial statements

**Massillon Public Library**  
**Stark County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*McClymonds Library Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Earnings on Investments	\$1,500	\$1,500	\$320	(\$1,180)
<i>Total Receipts</i>	1,500	1,500	320	(1,180)
<b>Disbursements</b>				
Library Services	400,600	400,600	241	400,359
<i>Total Disbursements</i>	400,600	400,600	241	400,359
<i>Excess of Receipts Over (Under) Disbursement.</i>	(399,100)	(399,100)	79	399,179
<i>Net Change in Fund Balance</i>	(399,100)	(399,100)	79	399,179
<i>Fund Balance Beginning of Year</i>	399,097	399,097	399,097	0
<i>Fund Balance End of Year</i>	(\$3)	(\$3)	\$399,176	\$399,179

See accompanying notes to the basic financial statements

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012*

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**Note 1 – Description of the Library and Reporting Entity**

Massillon Public Library, Stark County, Ohio, (the Library) was organized as a school district public library in 1922 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Massillon City School's Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Massillon City School's 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 Massillon City School's Board of Education.

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 Massillon Public Library is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The funds maintained by the organization are not significant in amount to the Library's total resources.

The Library participated in two joint ventures, the Barry Askren Memorial Branch and the Stark Library Information Consortium. These organizations are described in Note 12 of the Notes to the Basic Financial Statements.

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, 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.

**A. Basis of Presentation**

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and the Statement of Activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

The Statement of Net Position presents the cash balance of the governmental activities of the Library at year's 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

**Fund Financial Statements**

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. The Library's major funds are presented in separate columns. Non-major funds are aggregated and presented in a single 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 (e.g. grants), and other non-exchange transactions. 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 accounts for all financial resources except those required to be accounted for in another 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.



**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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

**B. Fund Accounting (continued)**

McClymonds Library Fund – The McClymonds Library fund accounts for expendable monies received for the benefit of the citizens of the Massillon Public Library. Per the original bequest, only the interest could be spent for purchase and acquisition of books and other literature and for the repairing and re-binding of books and magazines.

**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.

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 liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

The Library's 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 level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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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 receipts or negative receipts, respectively.

During 2012, investments were limited to STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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, 2012.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2012 amounted to \$507.

**F. Inventory and Prepaid Items**

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 9 and 10, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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

J. Net Position

Net position is 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. Net position restricted for other purposes include the revenue sources that are restricted for the Library own programs.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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

L. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Library had the following interfund transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Projects - Building and Repair Fund	\$30,000

**Note 3 – Change in Accounting Principle**

The Library has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Library's fiscal year 2012 financial statements; however, this standard has no effect on beginning net position/fund balance.

The Library also implemented GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements". GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA Pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Library's financial statements.

**Note 4 – 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 and the McClymonds Library Fund are 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 that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). There were no outstanding encumbrances at year end.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 5 – Deposits and Investments**

A. Library

Monies held by the Library are classified by State statute into three categories.

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

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

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

Interim monies held by the Library can 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; and
7. The Ohio Subdivision Fund (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.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 5 – Deposits and Investments (continued)**

A. Library (continued)

At year end, the Library had \$1,500 in undeposited, petty cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

B. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Library’s deposits was \$406,855 and the bank balances were \$480,802. Of the Library’s bank balance, \$449,327 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$31,475 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Library’s name.

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

C. Investments

As of December 31, 2012, the Library had the following investment:

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$867,094	Less than 3 months

Interest rate risk arises because the fair value of investment changes as interest rates change. 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.

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 6 – Public Library Fund**

The primary source of revenue for Ohio public libraries is the Public Library Fund (“PLF”). The “PLF” was enacted by the State of Ohio seeking to incorporate the intangible tax into the State’s personal income tax. Currently the “PLF” is funded with 1.97 percent of the receipts of personal income tax and distributed to each county monthly through an equalization formula. The Stark County Budget Commission allocates these funds to the Library based on a formula which incorporates square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Committee cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 7 - Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Massillon City School District and the Villages of Navarre and Brewster.

Property tax receipts received in 2012 for real and public utility property taxes represents collections of the 2011 taxes. Property tax payments received during 2012 for public utility property is for 2012 taxes.

2012 real property taxes are levied after October 1, 2011 on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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.

**Note 7 - Property Taxes (continued)**

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. 2012 public utility property taxes which became a lien on December 31, 2011, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2012, was \$1.90 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2012 property tax receipts were based are as follows:

Real Property	\$461,949,580
Public Utility Property	22,668,120
Total Assessed Values	<u>\$484,617,700</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 8 - Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Insurance	Commercial Property	\$8,626,000
	General Liability	3,000,000
	Vehicle	1,000,000
Chubb Group	Errors and Omissions	5,000,000 aggregate

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

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 8 - Risk Management (continued)**

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

**Note 9 - Defined Benefit Pension Plan**

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate retirement 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 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 has a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit.

Member contributions, the investment of which is self-directed by the members, 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2012, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The Library's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits.

The Library's required contributions for pension obligations to the Traditional and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$147,141, \$153,257, and \$145,415, respectively. The full amount has been contributed for 2012, 2011 and 2010.



**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 10 – Post-employment Benefits**

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

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend health care benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are provided separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – OPERS' Post-Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 4.00 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$42,822, \$44,689, and \$52,418, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

**Massillon Public Library  
Stark County**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012  
(continued)*

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**Note 11 – Leases**

The Library leases buildings and other equipment. The Library disbursed \$5,496 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$5,596
2014	5,596
2015	5,596
2016	2,560
2017	100
2018-2022	500
2023-2027	500
2028-2032	500
2033-2037	500
2038-2042	500
2043-2047	500
2048-2052	500
2053-2055	<u>300</u>
Total	<u>\$ 23,248</u>

**Note 12 – Joint Ventures**

The Barry Askren Memorial Branch is a joint venture with the Towpath-YMCA. According to the lease agreement, the Library leases the building at a cost of \$100 per year. The Library is responsible for staffing the building while open to the public.

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



# Dave Yost • Auditor of State

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

Massillon Public Library  
Stark County  
208 Lincoln Way East  
Massillon, Ohio 44646

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Massillon Public Library, Stark County, (the Library) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated January 23, 2015, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 23, 2015



# Dave Yost • Auditor of State

**MASSILLON PUBLIC 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  
FEBRUARY 5, 2015**