



**Auditor of State
Betty Montgomery**

STARK COUNTY DISTRICT LIBRARY
STARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2004 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 27, 2004

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Library and Local Government Support	\$8,355,660					\$8,355,660
Patron Fines and Fees	202,064					202,064
Services Provided to Other Entities	27,071					27,071
Contributions, Gifts and Donations	17,223	\$26,614			\$50	43,887
Other Government Grants-In-Aid		104,000				\$104,000
Insurance Reimbursement	29,760					29,760
Earnings on Investments	59,479	17		\$10,809	655	70,960
Miscellaneous	99,546					99,546
Total Cash Receipts	8,790,803	130,631		10,809	705	8,932,948
Cash Disbursements:						
Current:						
Salaries and Benefits	6,948,530					6,948,530
Purchased and Contracted Services	1,025,865	38,752		169,788	3,042	1,237,447
Library Materials and Information	1,164,014	13,778				1,177,792
Supplies	168,197	8,944			3,329	180,470
Other	24,586					24,586
Capital Outlay	52,652	48,315		1,300,255	122,999	1,524,221
Total Cash Disbursements	9,383,844	109,789		1,470,043	129,370	11,093,046
Total Cash Receipts Over/(Under) Cash Disbursements	(593,041)	20,842		(1,459,234)	(128,665)	(2,160,098)
Other Financing Receipts/(Disbursements):						
Transfers-In	700,000					700,000
Transfers-Out				(700,000)		(700,000)
Total Other Financing Receipts/(Disbursements)	700,000	0		(700,000)	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	106,959	20,842	\$0	(2,159,234)	(128,665)	(2,160,098)
Fund Cash Balances, January 1	1,621,869	155,898	40,244	4,633,693	132,585	6,584,289
Fund Cash Balances, December 31	<u>\$1,728,828</u>	<u>\$176,740</u>	<u>\$40,244</u>	<u>\$2,474,459</u>	<u>\$3,920</u>	<u>\$4,424,191</u>
Reserves for Encumbrances, December 31	<u>\$225,296</u>	<u>\$17,578</u>	<u>\$0</u>	<u>\$34,124</u>	<u>\$1,722</u>	<u>\$278,720</u>

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Disbursements:	
Library Materials and Information	\$38,861
Operating Loss	(38,861)
Non Operating Cash Receipts:	
Earnings on Investments	10,454
Net Receipts Under Disbursements	(28,407)
Fund Cash Balances, January 1	71,841
Fund Cash Balances, December 31	\$43,434
Reserves for Encumbrances, December 31	\$8,926

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Stark County District Library, Stark County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Stark County Commissioners and Common Pleas Judges. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Building and Renovation Fund is used to account for donations received for building and renovations of the Library.

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Community Health Foundation Fund is used to purchase books on health to replace books lost in the Perry Branch fire.

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

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Library's only Debt Service Fund is the Bond Retirement Fund used to account for the repayment of the \$10.5 million bond for construction and renovations which was paid off in 2001.

4. Capital Project Funds

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

Capital Projects Fund is used to account for money designated for purpose of transferring unrestricted money for current and future Library projects, which was established by the Board of Trustees. During 2003, this fund had a balance of \$1.6 million, transferred \$700,000 to the General Fund due to the decrease in the State Library and Local Government Fund Support.

Permanent Improvement Fund is used to account for construction and renovation from \$10.5 million in Tax Anticipation Notes that were paid off in 2001.

5. Fiduciary Funds (Trust Funds)

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

The E. Kathleen Smith Trust Fund is an expendable trust fund used to account for the bequest received and held by the Library, with both the principal and earnings to be expended for any expenditures of the Library.

The Madge Youtz Fund is a nonexpendable trust fund used to account for donations received and held by the Library, with only the earnings on the principal to be expended for the purchase and maintenance of library materials for the Madge Youtz Branch.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>
Demand deposits	<u>\$1,291,812</u>
Certificates of deposit	<u>1,144,923</u>
Total deposits	<u>2,436,735</u>
STAR Ohio	<u>2,030,890</u>
Total deposits and investments	<u><u>\$4,467,625</u></u>

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,124,053	\$9,609,140	\$514,913
Special Revenue	267,554	127,367	140,187
Capital Projects	3,880,197	2,204,167	1,676,030
Fiduciary	203,006	178,879	24,127
Total	\$14,474,810	\$12,119,553	\$2,355,257

4. LIBRARY AND LOCAL GOVERNMENT SUPPORT

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF was enacted by the State of Ohio seeking to incorporate the intangible tax into the State's personal income tax. During the prior year these monies were classified as Other Government Grant-In-Aid. Currently the LLGSF is funded with 5.7% of the receipts of personal income tax and is distributed to each county monthly through an equalization formula. The Stark County Budget Commission allocates these funds to the Library based on formula which incorporates square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

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

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

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

**STARK COUNTY DISTRICT LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. LEASES

The Library leases one of its facilities under a 15-year noncancellable operating lease agreement. The aggregate required monthly lease payment is \$1,522 with annual increases based on the consumer price index. Minimum rental payments required for the life of the lease is as follows:

2004	\$ 18,264
2005	18,264
2006	18,264
2007	18,264
2008	18,264
2009-2010	<u>36,528</u>
	<u>\$ 127,848</u>

The Library leased another one of its facilities under a 10-year operating agreement with an aggregate required monthly lease payment of \$1,842. Two other facilities are leased under month-to-month operating lease agreements. The aggregate monthly payment for the month-to-month leases is \$2,800. Facility rent expense was approximately \$83,024 in 2003.

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

2004	\$ 45,192
2005	<u>18,830</u>
	<u>\$ 64,022</u>

8. SUBSEQUENT EVENTS

On January 21, 2003, the Library accepted an offer from the Westfield Insurance Company for approximately \$1,492,508 insurance replacement cost for the Perry Heights Branch Library building. The Library has received \$763,497 as of December 31, 2003. In addition, the Library has received \$892,576 in actual cash values on library materials and equipment that were destroyed by fire on June 8, 2002 and has expended \$96,703 for a balance of \$795,873 at December 31, 2003.

The Library signed a Cooperative Operating Agreement with the Stark County Park District on March 30, 2004 to continue the development of the Electronic Education Gateway. This development would include 9,926 square feet of library space and approximately 7,225 square feet of shared space to replace the Perry Branch building destroyed by fire.

The projected cost for the library is \$4,617,621 which is partially covered by insurance proceeds. The balance would be from grants, donations and loans.

The Library passed resolution 2003-159 on August 26, 2003 authorizing the transfer of the Debt Service Fund balance of \$40,244. The County Court of Common Pleas, Stark County, Ohio approved the petition on September 30, 2003 which was filed on October 1, 2003. The Library has appropriated the monies for the transfer and intends to transfer the monies during fiscal year 2004.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Stark County District Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2003, and have issued our report thereon dated July 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated July 27, 2004.

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

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

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

Betty Montgomery
Auditor of State

July 27, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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Facsimile 614-466-4490

STARK COUNTY DISTRICT LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2004**