



**Auditor of State
Betty Montgomery**

**STOW-MUNROE FALLS PUBLIC LIBRARY
SUMMIT COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stow-Munroe Falls Public Library
Summit County
3512 Darrow Road
Stow, Ohio 44224

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of Stow-Munroe Falls Public Library, Summit County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and each major fund of Stow-Munroe Falls Public Library, Summit County, Ohio, as of December 31, 2005 and 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2006, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

April 28, 2006

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of the Stow-Munroe Falls Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$176,068, or 27.17 percent. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005.

The Library's general receipts are primarily Library and Local Government Support Funds ("LLGSF"). These receipts represent 94 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2005 changed very little compared to 2004 due to a freeze of LLGSF by the State of Ohio.

At the November Board Meeting, the Board approved migration from the Dynix Library Information Management System to Koha Open Source Integrated Library System. The main benefit of the Koha Open Source is no annual maintenance fees. Migrating to Koha Open Source is at a considerable savings compared to upgrading the Dynix System.

The Library placed a levy request for 1 mill for 5 years on the November 8, 2005 ballot, and it was passed by the Summit County voters by 56.62% yes vote to 43.38% no vote. This levy will generate approximately \$887,000 per year for 5 years for current expenses including operations and construction.

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$204,420, or 23.98 percent. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004.

The Library's general receipts are primarily Library and Local Government Support Funds ("LLGSF"). These receipts represent 94 percent of the total cash received for governmental activities during the year. LLGSF tax receipts for 2004 changed very little compared to 2003 due to a freeze of LLGSF by the State of Ohio.

The Stow-Munroe Falls Public Library Board of Trustees approved to employ Unique Management, collection agency for the collection of past due fines and fees over two months old.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

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

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

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

In the statement of net assets and the statement of activities the Library reports Governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. These services are primarily funded by LLGSF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are reported in one category: governmental.

Governmental Funds – The Library's activities are reported in 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 Library's major governmental funds are the General and the Building Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 and 2004 on a modified cash basis. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of Net Assets has not been presented for 2003.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 472,026	\$ 648,094
Total Assets	\$ 472,026	\$ 648,094
Net Assets		
Unrestricted	472,026	648,094
Total Net Assets	\$ 472,026	\$ 648,094

Total net assets decreased due to the Library expending more than what was received.

Table 2 provides a summary of the Library's changes in net assets for 2005 compared to 2004 on a modified cash basis. Since 2004 is the first year the Library has prepared financial statements following the modified cash basis of accounting revenue and expense comparisons to fiscal year 2003 are not available.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$98,083	\$93,317
General Receipts:		
Unrestricted Gifts and Contributions	7,925	1,236
Grants and Entitlements Not Restricted to Specific Programs	1,442,932	1,452,751
Interest	17,040	9,141
Miscellaneous	3,423	1,612
Total General Receipts	1,471,320	1,464,740
Total Receipts	1,569,403	1,558,057
Disbursements:		
Library Services:		
Public Service and Programs	1,341,459	1,335,573
Collection Development and Processing	250,700	249,517
Support Services:		
Facilities Operation and Management	3,497	3,380
Business Administration	122,727	147,469
Capital Outlay	27,088	26,538
Total Disbursements	1,745,471	1,762,477
(Decrease) in Net Assets	(176,068)	(204,420)
Net Assets, January 1	648,094	852,514
Net Assets, December 31	\$472,026	\$648,094

Program receipts represent 6.25 percent of total receipts for the year 2005 and only 5.99 percent of total receipts for the year 2004. Program receipts for the years 2005 and 2004 are primarily comprised of patron fines and fees, and contributions and donations. The increase in unrestricted gifts and contributions is contributed to: gifts given on behalf of J. Myers (\$2,123); Target (\$2,000) and Walmart (\$1,000).

General receipts represent 93.75 percent of the Library's total receipts for the year 2005 and 94.01 percent of the Library's total receipts for the year 2004. State and federal grants and entitlements (LLGSF) make up the balance of the Library's general receipts 98.07 percent for the year 2005 and 99.18 percent for the year 2004. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service and programs, collection development and processing, facilities operation and maintenance, and business administration represent the costs of running the Library.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Governmental Activities

If you look at the Statement of Activities on pages 12 and 17 for the years 2005 and 2004, respectively, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs which account for 76.85 percent for 2005 and 75.78 percent for 2004, of all governmental disbursements. The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service by the Library that must be used to provide a specific service. The net 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 primarily by the State. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3. Comparisons to 2003 have not been made since they are not available.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost Of Services 2005	Total Cost Of Services 2004	Net Cost Of Services 2004
Library Services:				
Public Service and Programs	\$ 1,341,459	\$ 1,243,376	\$ 1,335,573	\$ 1,242,256
Collection Development and Processing	250,700	250,700	249,517	249,517
Support Services:				
Facilities Operation and Maintenance	3,497	3,497	3,380	3,380
Business Administration	122,727	122,727	147,469	147,469
Capital Outlay	27,088	27,088	26,538	26,538
Total Expenses	\$1,745,471	\$1,647,388	\$1,762,477	\$1,669,160

The dependence upon general receipts, in particular LLGSF receipts, is apparent as over 94% of governmental activities for both 2005 and 2004 are supported through these receipts.

The Library's Funds

For the year 2005, the total governmental funds had receipts of \$1,569,403 and disbursements of \$1,745,471. The fund balance of the General Fund decreased \$176,068 as the result of costs exceeding revenue.

For the year 2005, the General Fund receipts were less than disbursements by \$176,068 indicating that the General Fund is in a deficit spending situation. The new operating levy will generate approximately \$887,000 per year for 5 years for current disbursements including operations and construction beginning January 1, 2006.

For the year 2004, the total governmental funds had receipts of \$1,558,057 and disbursements of \$1,762,477. The fund balance of the General Fund decreased \$204,420 as the result of increased costs for salaries and benefits and a decline in revenue since 2002.

Stow-Munroe Falls Public Library
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

For the year 2004, the General Fund receipts were less than disbursements by \$204,420 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that an operating levy be placed on the ballot for 2005.

General Fund Budgeting Highlights

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

During 2005 the Library amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to a decrease in the amount of LLGSF to be received. The actual receipts exceeded final budgeted receipts due to the Library employing Unique Management Collection Agency for the collection of past due fines and fees.

Final disbursements for 2005 were budgeted at \$1,869,552 while actual disbursements were \$1,803,345. This occurred due to the Library limiting disbursements due to the decrease in revenue from LLGFS. The disbursements most effected by this decrease in revenue were Public Service and Programs, which under spent the final budget by \$36,450.

During 2004 the Library did not amend its General Fund budget by a significant amount. Final budget receipts were below actual revenues due to the Library employing Unique Management Collection Agency for the collection of past due fines and fees.

Final disbursements for 2004 were budgeted at \$1,823,700 while actual disbursements were \$1,813,955. The difference between final budgeted disbursements and actual disbursements was not significant.

The Library kept spending under budgeted amounts.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on LLGSF funding. The uncertain future of the LLGSF continues to be a major challenge facing the Library.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Sutherland, Clerk-Treasurer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

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Stow-Munroe Falls Public Library, Summit County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$472,026</u>
<i>Total Assets</i>	<u><u>\$472,026</u></u>
Net Assets	
Unrestricted	<u>472,026</u>
<i>Total Net Assets</i>	<u><u>\$472,026</u></u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,341,459	\$98,083	(\$1,243,376)
Collection Development and Processing	250,700		(250,700)
Support Services:			
Facilities Operation and Maintenance	3,497		(3,497)
Business Administration	122,727		(122,727)
Capital Outlay	27,088		(27,088)
<i>Total Governmental Activities</i>	<u>\$1,745,471</u>	<u>\$98,083</u>	<u>(1,647,388)</u>
 General Receipts			
Grants and Entitlements not Restricted to Specific Programs			1,442,932
Unrestricted Gifts and Contributions			7,925
Interest			17,040
Miscellaneous			3,423
<i>Total General Receipts</i>			<u>1,471,320</u>
Change in Net Assets			(176,068)
<i>Net Assets Beginning of Year</i>			<u>648,094</u>
<i>Net Assets End of Year</i>			<u>\$472,026</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Building Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$332,026	\$140,000	\$472,026
<i>Total Assets</i>	<u>\$332,026</u>	<u>\$140,000</u>	<u>\$472,026</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$57,874		\$57,874
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	274,152		274,152
Capital Projects Fund		140,000	140,000
<i>Total Fund Balances</i>	<u>\$332,026</u>	<u>\$140,000</u>	<u>\$472,026</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts			
Intergovernmental	\$1,442,932	\$0	\$1,442,932
Patron Fines and Fees	98,083	0	98,083
Contributions, Gifts and Donations	7,925	0	7,925
Earnings on Investments	17,040	0	17,040
Miscellaneous	3,423	0	3,423
<i>Total Receipts</i>	<u>1,569,403</u>	<u>0</u>	<u>1,569,403</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,341,459	0	1,341,459
Collection Development and Processing	250,700	0	250,700
Support Services:			
Facilities Operation and Maintenance	3,497	0	3,497
Business Administration	122,727	0	122,727
Capital Outlay	27,088	0	27,088
<i>Total Disbursements</i>	<u>1,745,471</u>	<u>0</u>	<u>1,745,471</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(176,068)	0	(176,068)
<i>Fund Balances Beginning of Year</i>	<u>508,094</u>	<u>140,000</u>	<u>648,094</u>
<i>Fund Balances End of Year</i>	<u>\$332,026</u>	<u>\$140,000</u>	<u>\$472,026</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$1,495,575	\$1,442,932	\$1,442,932	\$0
Patron Fines and Fees	76,000	76,000	98,083	22,083
Contributions, Gifts and Donations	500	3,500	7,925	4,425
Earnings on Investments	7,000	7,000	17,040	10,040
Miscellaneous	0	0	3,423	3,423
<i>Total receipts</i>	<u>1,579,075</u>	<u>1,529,432</u>	<u>1,569,403</u>	<u>39,971</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,411,337	1,411,641	1,375,191	36,450
Collection Development and Processing	240,924	294,173	270,712	23,461
Support Services:				
Facilities Operation and Maintenance	3,900	4,650	4,209	441
Business Administration	132,051	130,749	126,145	4,604
Capital Outlay	28,339	28,339	27,088	1,251
<i>Total Disbursements</i>	<u>1,816,551</u>	<u>1,869,552</u>	<u>1,803,345</u>	<u>66,207</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(237,476)	(340,120)	(233,942)	106,178
<i>Fund Balance Beginning of Year</i>	456,616	456,616	456,616	0
Prior Year Encumbrances Appropriated	51,478	51,478	51,478	0
<i>Fund Balance End of Year</i>	<u>\$270,618</u>	<u>\$167,974</u>	<u>\$274,152</u>	<u>\$106,178</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$648,094</u>
<i>Total Assets</i>	<u><u>\$648,094</u></u>
Net Assets	
Unrestricted	<u>648,094</u>
<i>Total Net Assets</i>	<u><u>\$648,094</u></u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2004

	<u>Cash</u> Disbursements	<u>Program Cash Receipts</u> Charges for Services and Sales	<u>Net (Disbursements)</u> <u>Receipts and Changes</u> <u>in Net Assets</u> Governmental Activities
Governmental Activities			
Library Services:			
Public Service and Programs	\$1,335,573	\$93,317	(\$1,242,256)
Collection Development and Processing	249,517		(249,517)
Support Services:			
Facilities Operation and Maintenance	3,380		(3,380)
Business Administration	147,469		(147,469)
Capital Outlay	26,538		(26,538)
<i>Total Governmental Activities</i>	<u>\$1,762,477</u>	<u>\$93,317</u>	<u>(1,669,160)</u>
General Receipts			
Grants and Entitlements not Restricted to Specific Programs			1,452,751
Unrestricted Gifts and Contributions			1,236
Interest			9,141
Miscellaneous			1,612
<i>Total General Receipts</i>			1,464,740
Change in Net Assets			(204,420)
<i>Net Assets Beginning of Year</i>			<u>852,514</u>
<i>Net Assets End of Year</i>			<u>\$648,094</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Building Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$508,094	\$140,000	\$648,094
<i>Total Assets</i>	<u>\$508,094</u>	<u>\$140,000</u>	<u>\$648,094</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$51,478	\$0	\$51,478
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	456,616		456,616
Capital Projects Fund		140,000	140,000
<i>Total Fund Balances</i>	<u>\$508,094</u>	<u>\$140,000</u>	<u>\$648,094</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	<u>General</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Receipts			
Intergovernmental	\$1,452,751	\$0	\$1,452,751
Patron Fines and Fees	93,317	0	93,317
Contributions, Gifts and Donations	1,236	0	1,236
Earnings on Investments	9,141	0	9,141
Miscellaneous	1,612	0	1,612
<i>Total Receipts</i>	<u>1,558,057</u>	<u>0</u>	<u>1,558,057</u>
Disbursements			
Current:			
Library Services:			
Public Service and Programs	1,335,573	0	1,335,573
Collection Development and Processing	249,517	0	249,517
Support Services:			
Facilities Operation and Maintenance	3,380	0	3,380
Business Administration	147,469	0	147,469
Capital Outlay	26,538	0	26,538
<i>Total Disbursements</i>	<u>1,762,477</u>	<u>0</u>	<u>1,762,477</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(204,420)	0	(204,420)
<i>Fund Balances Beginning of Year</i>	<u>712,514</u>	<u>140,000</u>	<u>852,514</u>
<i>Fund Balances End of Year</i>	<u>\$508,094</u>	<u>\$140,000</u>	<u>\$648,094</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library, Summit County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$1,452,578	\$1,452,578	\$1,452,751	\$173
Patron Fines and Fees	76,000	76,000	93,317	17,317
Contributions, Gifts and Donations	500	500	1,236	736
Earnings on Investments	11,000	11,000	9,141	(1,859)
Miscellaneous	0	0	1,612	1,612
<i>Total receipts</i>	<u>1,540,078</u>	<u>1,540,078</u>	<u>1,558,057</u>	<u>17,979</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,379,478	1,380,671	1,372,170	8,501
Collection Development and Processing	262,088	256,589	256,441	148
Support Services:				
Facilities Operation and Maintenance	3,081	4,580	4,580	0
Business Administration	143,837	151,644	150,887	757
Capital Outlay	30,216	30,216	29,877	339
<i>Total Disbursements</i>	<u>1,818,700</u>	<u>1,823,700</u>	<u>1,813,955</u>	<u>9,745</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(278,622)	(283,622)	(255,898)	27,724
<i>Fund Balance Beginning of Year</i>	685,235	685,235	685,235	0
Prior Year Encumbrances Appropriated	27,279	27,279	27,279	0
<i>Fund Balance End of Year</i>	<u>\$433,892</u>	<u>\$428,892</u>	<u>\$456,616</u>	<u>\$27,724</u>

See accompanying notes to the basic financial statements

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Description of the Library and Reporting Entity

Stow-Munroe Falls Public Library, Summit County, (the Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Stow-Munroe Falls City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, “The Financial Reporting Entity,” the Library is considered to be a related organization of the Stow-Munroe Falls City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Stow-Munroe Falls Public Library, Inc. and Stow-Munroe Falls Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for the organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. The economic resources that the Library receives from these organizations are not significant to the Library. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989,

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library. Governmental activities generally are financed through intergovernmental receipts and charges for services.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified 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. Each major fund is presented in a separate column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts and charges for services. 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:

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

General Fund - The general fund is the general operating fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund - The building fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary 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.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

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 (contra revenue), respectively.

During 2005 and 2004, investments were limited to STAR Ohio. This investment is recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2005 amounted to \$17,040 which includes \$5,054 assigned from other Library funds. During 2004 general fund interest receipts amounted to \$9,141 which includes \$1,975 from other Library funds.

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 modified cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

J. Net Assets

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Accounting Principles

In 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column, rather than a column for each fund type.

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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$57,874 and \$51,478 for 2005 and 2004, respectively.

Note 5 - Deposits and Investments

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.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 - Deposits and Investments (continued)

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;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At each year end, the Library had \$250 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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 December 31, 2005 the carrying amount of Library's deposits was (\$6,862) and the bank balance was \$80,555. The bank balance was covered by federal depository insurance and was not exposed to credit risk. At December 31, 2004 the carrying amount of the Library's deposits was \$85,052 and the bank balance was \$132,217. Of the bank balance \$32,217 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 - Deposits and Investments (continued)

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 a 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.

Investments

The Library had the following investments:

	Carrying Value	Maturity
December 31, 2005		
STAR OHIO	\$478,638	Average
December 31, 2004		
STAR Ohio	\$562,792	Average

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 – Library and Local Government Support

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

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

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 2005 and 2004, the Library contracted for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Arch Insurance Company	Building and Personal Property	\$8,078,134
	Theft	1,000
	Employee Dishonesty	250,000
	General Liability	1,000,000

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

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$121,972, \$116,557, and \$140,755 respectively; the full amount has been contributed for 2005, 2004, and 2003.

Stow-Munroe Falls Public Library
Summit County
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$51,087 and \$48,819, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Debt

The Stow Munroe Falls City School District serves as the taxing authority in a ministerial function, and can issue tax related debt on behalf of the Library. The determination to request approval of a tax levy, the rate and the purpose are discretionary decisions made solely by the Library Board of Trustees.

In 1996 the Library Board approved for the School District to place on the ballot, Library General Obligation Bonds in the amount of \$3,952,000 for the renovation of the Library. As of June 30, 2005 (the latest information available) principal outstanding was \$1,600,000.

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**Auditor of State
Betty Montgomery**

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

Stow-Munroe Falls Public Library
Summit County
3512 Darrow Road
Stow, Ohio 44224

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of Stow-Munroe Falls Public Library, Summit County, Ohio, (the Library) as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 28, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Standard No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Stow-Munroe Falls Public Library
Summit County
Independent Accounts' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 28, 2006



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

STOW MUNROE FALLS PUBLIC LIBRARY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2006**