



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, Ohio (the Library), as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, Ohio, as of December 31, 2011, and the respective changes in cash financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, 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.

We conducted our audit to opine on the Library's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is 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.



**Dave Yost**  
Auditor of State

June 15, 2012

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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This discussion and analysis of the Stow-Munroe Falls Public Library (Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2011, 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 2011 are as follows:

Net assets of governmental activities increased \$358,819 or 53.247 percent, a significant change from the prior year. The increase in net assets was primarily due to the receipt of \$1,069,433 in tax levy as a result of an operating levy passed in May 2010.

As of December 31, 2011, the fund balance in the Library's General Fund was \$775,100, an increase of 76.138 percent from the previous year.

The Stow-Munroe Falls Library Board of Trustees amended the following policies:

1. Meeting Room Policy
2. Credit Card Policy
3. Fines and Fees Policy
4. Service Contracts Policy
5. Employee Information Disclosure Policy
6. Job Classifications
7. Organization Chart
8. Time and Method of Salary Payment Time Sheets Employee Policy
9. Change Order Library Board Policy

The Stow-Munroe Falls Public Library voters passed a levy in May 2010 which generated \$1,739,971 in revenue in 2011. These receipts represent 56.072 percent of the total cash received for governmental activities during the year.

The Board of Library Trustees of the Stow-Munroe Falls Public Library proceeded with the construction contracts for the roof project.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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

**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services. 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 Public Library Funds (PLF).

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 taxes and PLF. 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.



Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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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 Fund and the Building Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements, therefore there are no reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

Table 1 provides a summary of the Library’s net assets for 2011 on a cash basis compared to 2010.

		(Table 1)	
		<b>Net Assets</b>	
		Governmental Activities	
		2011	2010
<b>Assets</b>			
Cash and Cash Equivalents		\$1,032,687	\$673,868
<b>Net Assets</b>			
Unrestricted		1,032,687	673,868
Total Net Assets		\$1,032,687	\$673,868

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

Table 2 reflects the changes in net assets in 2011 compared to 2010.

(Table 2)

	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$80,785	\$80,173
General Receipts:		
Unrestricted Gifts and Contributions	1,326	9,089
Property Taxes Levied for General Purposes	1,739,971	792,802
Grants and Entitlements Not Restricted to Specific Programs	1,251,835	1,086,935
Interest	339	620
Miscellaneous	28,825	10,065
Total General Receipts	<u>3,022,296</u>	<u>1,899,511</u>
Total Receipts	<u>3,103,081</u>	<u>1,979,684</u>
Disbursements:		
Library Services:		
Public Service and Programs	1,033,642	958,344
Collection Development and Processing	606,432	453,170
Support Services:		
Facilities Operation and Management	693,945	410,493
Business Administration	308,046	222,455
Capital Outlay	102,197	8,256
Total Disbursements	<u>2,744,262</u>	<u>2,052,718</u>
Increase (Decrease) in Net Assets	358,819	(73,034)
Net Assets, January 1	<u>673,868</u>	<u>746,902</u>
Net Assets, December 31	<u>\$1,032,687</u>	<u>\$673,868</u>

Program receipts represent only 2.60 percent of total receipts for the year 2011 and only 4.05 percent of total receipts for the year 2010. Program receipts are primarily comprised of patron fines and fees.

General receipts represent 97.40 percent of the Library's total receipts for the year 2011 and 95.95 percent of the Library's total receipts for the year 2010. State and federal grants and entitlements (PLF) make up majority of the balance of the Library's general receipts: 41.42 percent for the year 2011 and 57.22 percent for the year 2010. Earnings on Investments became a smaller revenue source during the 2011 period as the rate on investments and amount available for investment decreased.

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

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Service and Programs which account for 37.67 percent, of all governmental disbursements. The next column of the Statement entitled Program Cash 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 (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State and local tax payers. 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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Library Services:				
Public Service and Programs	\$1,033,642	\$952,857	\$958,344	\$878,171
Collection Development and Processing	606,432	606,432	453,170	453,170
Support Services:				
Facilities Operation and Maintenance	693,945	693,945	410,493	410,493
Collection Development and Processing	308,046	308,046	222,455	222,455
Capital Outlay	102,197	102,197	8,256	8,256
<b>Total Expenses</b>	<b>\$2,744,262</b>	<b>\$2,663,477</b>	<b>\$2,052,718</b>	<b>\$1,972,545</b>

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

**The Library's Funds**

Total governmental funds had receipts in 2011 of \$3,103,081 and disbursements of \$2,744,262. The fund balance of the General Fund increased \$335,049 during 2011. With the passage of the operating levy in May 2010, the Library is confident of its financial condition and its ability to provide continued and expanded services to its public.

The Public Library Funds are reported on the Financial Statements as intergovernmental revenue. The Building Fund is for monies set aside by the Library Board of Trustees specifically for major capital and technology improvements.

Stow-Munroe Falls Public Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2011  
Unaudited

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**General Fund Budgeting Highlights**

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

During 2011 the Library's General Fund budget was stable. Final disbursements were budgeted at \$2,947,386 while actual disbursements were \$2,848,171. The result is the increase in unreserved fund balance of \$254,910.

**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 PLF. The uncertain future of the PLF 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, Fiscal Officer, Stow-Munroe Falls Public Library, 3512 Darrow Road, Stow, OH 44224.

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

*Statement of Net Assets - Cash Basis*

*December 31, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,032,687</u>
<b>Net Assets</b>	
Unrestricted	<u>1,032,687</u>
<i>Total Net Assets</i>	<u>\$1,032,687</u>

See accompanying notes to the basic financial statements

**Stow-Munroe Falls Public Library, Summit County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2011

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Library Services:			
Public Service and Programs	\$1,033,642	\$80,785	(\$952,857)
Collection Development and Processing	606,432		(606,432)
Support Services:			
Facilities Operation and Maintenance	693,945		(693,945)
Business Administration	308,046		(308,046)
Capital Outlay	102,197		(102,197)
<i>Total Governmental Activities</i>	<u>\$2,744,262</u>	<u>\$80,785</u>	<u>(2,663,477)</u>
<b>General Receipts</b>			
Property Taxes Levied for General Purposes			1,739,971
Grants and Entitlements not Restricted to Specific Programs			1,251,835
Unrestricted Gifts and Contributions			1,326
Interest			339
Miscellaneous			28,825
		<i>Total General Receipts</i>	3,022,296
		Change in Net Assets	358,819
		<i>Net Assets Beginning of Year</i>	<u>673,868</u>
		<i>Net Assets End of Year</i>	<u><u>\$1,032,687</u></u>

See accompanying notes to the basic financial statements

**Stow-Munroe Falls Public Library, Summit County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2011*

	General	Building Fund	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$775,100	\$257,587	\$1,032,687
<b>Fund Balances</b>			
Nonspendable			
Restricted	\$83		\$83
Assigned	80,138	\$257,587	337,725
Unassigned	694,879		694,879
<i>Total Fund Balances</i>	<u>\$775,100</u>	<u>\$257,587</u>	<u>\$1,032,687</u>

See accompanying notes to the basic financial statements

**Stow-Munroe Falls Public Library, Summit County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Building Fund	Total Governmental Funds
<b>Receipts</b>			
Property and Other Local Taxes	\$1,739,971		\$1,739,971
Intergovernmental	1,251,835		1,251,835
Patron Fines and Fees	80,785		80,785
Contributions, Gifts and Donations	1,326		1,326
Earnings on Investments	339		339
Miscellaneous	28,825		28,825
<i>Total Receipts</i>	<u>3,103,081</u>	<u>\$0</u>	<u>3,103,081</u>
<b>Disbursements</b>			
Current:			
Library Services:			
Public Service and Programs	1,033,642		1,033,642
Collection Development and Processing	606,432		606,432
Support Services:			
Facilities Operation and Maintenance	511,040	182,905	693,945
Business Administration	274,721	33,325	308,046
Capital Outlay	102,197		102,197
<i>Total Disbursements</i>	<u>2,528,032</u>	<u>216,230</u>	<u>2,744,262</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>575,049</u>	<u>(216,230)</u>	<u>358,819</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		240,000	240,000
Transfers Out	(240,000)		(240,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(240,000)</u>	<u>240,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	335,049	23,770	358,819
<i>Fund Balance Beginning of Year</i>	<u>440,051</u>	<u>233,817</u>	<u>673,868</u>
<i>Fund Balances End of Year</i>	<u><u>\$775,100</u></u>	<u><u>\$257,587</u></u>	<u><u>\$1,032,687</u></u>

See accompanying notes to the basic financial statements



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

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budgetary Basis  
General Fund  
For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$1,795,735	\$1,794,735	\$1,739,971	(\$54,764)
Intergovernmental	1,231,651	1,207,800	1,251,835	44,035
Patron Fines and Fees	67,000	67,000	80,785	13,785
Contributions, Gifts and Donations	500	500	1,326	826
Earnings on Investments	1,000	1,000	339	(661)
Miscellaneous	0	0	28,825	28,825
<i>Total Receipts</i>	<u>3,095,886</u>	<u>3,071,035</u>	<u>3,103,081</u>	<u>32,046</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Service and Programs	1,134,001	1,090,898	1,081,580	9,318
Collection Development and Processing	613,418	620,624	615,753	4,871
Support Services:				
Facilities Operation and Maintenance	478,322	535,832	526,506	9,326
Business Administration	355,634	353,991	282,135	71,856
Capital Outlay	36,701	105,695	102,197	3,498
<i>Total Disbursements</i>	<u>2,618,076</u>	<u>2,707,040</u>	<u>2,608,171</u>	<u>98,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>477,810</u>	<u>363,995</u>	<u>494,910</u>	<u>130,915</u>
<b>Other Financing (Uses)</b>				
Transfers Out	326,000	240,346	240,000	346
	<u>326,000</u>	<u>240,346</u>	<u>240,000</u>	<u>346</u>
<i>Net Change in Fund Balance</i>	151,810	123,649	254,910	131,261
<i>Fund Balance Beginning of Year</i>	393,861	393,861	393,861	0
Prior Year Encumbrances Appropriated	46,190	46,190	46,190	0
<i>Fund Balance End of Year</i>	<u>\$591,861</u>	<u>\$563,700</u>	<u>\$694,961</u>	<u>\$131,261</u>

See accompanying notes to the basic financial statements

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## **Stow-Munroe Falls Public Library**

### **Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

Stow-Munroe Falls Public Library, Summit County, (the Library) was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Stow Munroe Falls 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 Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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

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

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

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

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

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

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.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

**B. Fund Accounting** (continued)

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the 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 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.

**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."

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

**E. Cash and Cash Equivalents** (continued)

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipt or negative receipts (contra revenue), respectively.

During 2011, 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, 2011.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2011 amounted to \$339 which includes \$154 from the Building fund.

**F. Inventory**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

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

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations or other governments. The Library applies restricted resources first when an expense is incurred for purposes for which restricted net assets 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 expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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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 (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as an assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$80,138 for 2011.

**Note 4 - Deposits and Investments**

State statutes classify monies held by the Library into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
  4. Bonds and other obligations of the State of Ohio or Ohio local governments;
  5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
  6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
  7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the Library had \$300 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

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, none of the Library's bank balance of \$204,549 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.

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:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2011		
Star Ohio	<u>\$923,355</u>	"Less Than 1 Year"

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14 (M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 5 – Public Library Fund**

The State allocates PLF to each county based on the county's prior intangibles tax of PLF revenues, and its population. The Summit County Budget Commission allocated these funds to the Library based on formula which incorporated square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

The Public Library Funds are reported on the Financial Statements as intergovernmental revenue.

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Stow Munroe Falls City School District. Property tax receipts received in 2011 for real and public utility property taxes represents collections of the 2010 taxes.

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

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 currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien on December 31, 2010, were levied after October 1, 2011, and are collected in 2011 with real property taxes.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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The full tax rate for all Library operations for the year ended December 31, 2011, was \$2.00 (2 mill) per \$1,000 of assessed value. Per Summit County Budget Commission Certification of Tax Levy Tax Year 2010/Collection Year 2011, the assessed values of real property and public utility property upon which 2011 property tax receipts were based are as follows:

Real Property	\$980,376,280
Public Utility Property	9,041,500
Total	<u>\$989,417,780</u>

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Fiscal Officer 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 2011, the Library contracted for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
U.S. Specialty Insurance Company	Building and Personal Property	\$9,370,882
	Theft	25,000
	Employee Dishonesty	550,000
	General liability	1,000,000

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

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

**Note 8 - Defined Benefit Pension Plan**

Plan Description: The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year); 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. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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

OPERS provides retirement, disability, and survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and the 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 OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2011, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2011 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Library has paid all contributions required through December 31, 2011. The Library's required contributions for pension obligations to the traditional and combined plans for the year ended December 31, 2011, 2010, and 2009 is \$185,659, \$158,638, and \$168,424 respectively; the full amounts have been contributed for all three years.

**Note 9 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the Member-Directed Plan do not qualify for post-retirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2011 local government employer contribution rate was 14.00 percent of covered payroll. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The OPERS Board of Trustees is also authorized to establish rule 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.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$53,043, \$57,712, and \$70,678 respectively; 100 percent has been contributed for all years.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

**Stow-Munroe Falls Public Library**

**Summit County**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2011*

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**Note 10 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Building</u>	<u>Total</u>
<b>Restricted for</b>			
Grant	\$83		\$83
<b>Assigned to</b>			
Encumbrances	80,138		80,138
Capital		\$257,587	257,587
<i>Total Assigned to</i>	<u>80,138</u>	<u>257,587</u>	<u>337,725</u>
<b>Unassigned</b>			
Unencumbered	694,879		694,879
<i>Total Fund Balances</i>	<u>\$775,100</u>	<u>\$233,817</u>	<u>\$1,032,687</u>

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# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Stow-Munroe Falls Public Library, Summit County, (the Library) as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 15, 2012, wherein we noted the Library followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management, the Finance/Audit Committee, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

June 15, 2012





# Dave Yost • Auditor of State

**STOW- MUNROE FALLS PUBLIC LIBRARY**

**SUMMIT COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 03, 2012**