

North Canton Public Library

STARK COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
North Canton Public Library
185 North Main Street
North Canton, Ohio 44720

We have reviewed the *Report of Independent Accountants* of the North Canton Public Library, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North Canton Public Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 14, 2008

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NORTH CANTON PUBLIC LIBRARY
STARK COUNTY, OHIO
Audit Report
For the Year Ended December 31, 2006

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

North Canton Public Library
Stark County
185 North Main Street
North Canton, OH 44720

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Canton Public Library (the Library), Stark County, Ohio, as of and for the year ended December 31, 2006, 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 an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library, as of December 31, 2006, and the respective changes in cash basis financial position and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Library revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 24, 2008 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Charles E. Harris & Associates, Inc.

May 24, 2008

**North Canton Public Library
Stark County**
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the North Canton Public Library's financial performance provides and overall review of the Library's financial activities for the year ended December 31, 2006, 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 2006 are as follows:

Net assets of governmental activities increased by \$253,361, or 52 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Permanent Improvement Fund, into which a donation from an estate in the amount of over \$62,000 was receipted, along with a transfer from the General Fund.

The Library's general receipts are primarily from the Library and Local Government Support Fund and the library's .5 mill continuous property tax levy. These receipts represent respectively 72.5 and 9.9 percent of the total cash received for governmental activities during the year.

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.

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

North Canton Public Library
Stark County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 2006, within the limitations of 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 patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are 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, one 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 tax and Library and Local Government Support Fund (LLGSF).

In the statement of net assets and the statement of activities, the library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and library materials and information. 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 Government are split into 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 information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund and the Permanent Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**North Canton Public Library
Stark County**
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2006 on a cash basis. Since the Library did not report on a cash basis in 2005, these figures are not compared to previous years.

(Table 1)	
Net Assets	
	Governmental
	Activities
	2006
Assets	
Cash and Cash Equivalents	\$742,720
Total Assets	\$742,720
Net Assets	
Restricted for:	
Other Purposes	\$40,356
Capital Outlay	368,173
Unrestricted	334,191
Total Net Assets	\$742,720

**North Canton Public Library
Stark County**
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets in 2006 on a cash basis.

(Table 2)
Changes in Net Assets

	Governmental Activities
	2006
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 101,882
Operating Grants and Contributions	17,862
Capital Grants and Contributions	121,156
Total Program Receipts	240,900
General Receipts:	
Property and Other Local Taxes	188,768
Grants and Entitlements Not Restricted to Specific Programs (LLGSF)	1,545,741
Interest	26,617
Miscellaneous	1,459
Total General Receipts	1,762,585
Total Receipts	2,003,485
Disbursements:	
Library Services:	
Public Service and Programs	717,669
Collection Development and Processing	531,904
Support Services:	
Facilities Operation and Maintenance	149,463
Information Services	69,747
Business Administration	241,589
Capital Outlay	39,752
Total Disbursements	1,750,124
Increase (Decrease) in Net Assets	\$ 253,361
Net Assets, January 1, 2006	489,359
Net Assets, December 31, 2006	\$ 742,720

**North Canton Public Library
Stark County**
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Program receipts represent only 12 percent of total receipts and are primarily comprised of patron fines and fees, and contributions and donations.

General receipts represent 88 percent of the Library's total receipts, and of this amount, about 11 percent are local taxes. State and federal grants and entitlements make up the majority of the balance of the Library's general receipts (88 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for public service programs, collection development and processing, facilities operation and maintenance, information services and business administration represent the cost of operating the Library.

Governmental Activities

On the Statement of Activities on page 10, 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, Collection Development and Processing, Facilities Operation and Maintenance, Information Services, Business Administration, and Capital Outlay, which account for 40 percent, 29 percent, 10 percent, 4 percent, 15 percent, and 10 percent of all library disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	<u>Total Cost Of Services 2006</u>	<u>Net Cost of Services 2006</u>
Library Services		
Public Service and Program	\$ 717,669	\$ 615,787
Collection Development and Processing	531,904	515,418
Support Services		
Facilities Operation and Maintenance	149,463	149,463
Information Services	69,747	69,747
Business Administration	241,589	241,589
Capital Outlay	39,752	(82,780)
Total Expenses	<u>\$ 1,750,124</u>	<u>\$ 1,509,224</u>

**North Canton Public Library
Stark County**
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Library's Funds

Total governmental funds had receipts of \$2,003,485 and disbursements of \$1,750,124, increasing the total fund balances by \$253,361. The greatest change within governmental funds occurred within the Permanent Improvement Fund. The fund balance of the Permanent Improvement Fund increased more than \$206,000 as the result of increased donations along with a transfer in of \$100,000 at year end from the General Fund.

General Fund receipts were more than disbursements by \$142,556 due to prudent fiscal management. This provided enough funds to allow for a transfer into the Permanent Improvement Fund for future building projects. All other funds had receipts over disbursements in 2006.

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 2006, the Library amended its General Fund to reflect changing circumstances. Final budgeted receipts were \$1,844,912, while actual receipts were \$1,864,467, resulting in \$19,555 more revenue than budgeted. Final disbursements were budgeted at \$1,837,170, while actual disbursements were \$1,772,971, resulting in \$64,199 less expenditures than budgeted. The result was an overall decrease to the fund balance of \$8,504 for 2006 due to transfer out.

Capital Assets

The Library uses an outside firm, which in 2006 updated values and incorporated additions the existing appraisals of all land, buildings and capital assets. Capital assets are not recorded in the financial statements on the cash basis.

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 local taxes and 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 Kelly Kroll, Clerk-Treasurer, North Canton Public Library, 185 North Main Street, North Canton, OH 44720.

North Canton Public Library
Stark County
Statement of Net Assets - Cash Basis
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$ 742,720</u>
<i>Total Assets</i>	<u><u>742,720</u></u>
Net Assets	
Restricted for:	
Other Purposes	40,356
Capital Projects	368,173
Unrestricted	<u>334,191</u>
<i>Total Net Assets</i>	<u><u>\$ 742,720</u></u>

See accompanying notes to the basic financial statements

North Canton Public Library
Stark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Library Services:					
Public Service and Programs	\$ 717,669	\$ 101,882	\$ -	\$ -	\$ (615,787)
Collection Development and Processing	531,904	-	16,486	-	(515,418)
Support Services:					
Facilities Operation and Maintenance	149,463	-	-	-	(149,463)
Information Services	69,747	-	-	-	(69,747)
Business Administration	241,589	-	-	-	(241,589)
Capital Outlay	39,752	-	1,376	121,156	82,780
<i>Total Governmental Activities</i>	<u>\$ 1,750,124</u>	<u>\$ 101,882</u>	<u>\$ 17,862</u>	<u>\$ 121,156</u>	<u>\$ (1,509,224)</u>
General Receipts					
					\$ 188,768
					1,545,741
					26,617
					1,459
					<u>1,762,585</u>
					253,361
					<u>489,359</u>
					<u>\$ 742,720</u>

See accompanying notes to the basic financial statements

North Canton Public Library
Stark County
Statement of Cash Basis Assets and Fund Balances
For the Year Ended December 31, 2006

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 742,720	\$ -	\$ -	\$ 742,720
<i>Total Assets</i>	<u>742,720</u>	<u>-</u>	<u>-</u>	<u>742,720</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	51,060	-	809	51,869
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	283,131	-	-	283,131
Special Revenue Funds	-	-	39,547	39,547
Capital Projects Funds	-	362,791	5,382	368,173
<i>Total Fund Balances</i>	<u>\$ 334,191</u>	<u>\$ 362,791</u>	<u>\$ 45,738</u>	<u>\$ 742,720</u>

See accompanying notes to the basic financial statements

**North Canton Public Library
Stark County**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006*

	General	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 188,768	\$ -	\$ -	\$ 188,768
Intergovernmental	1,545,741	-	-	1,545,741
Patron Fines and Fees	101,882	-	-	101,882
Contributions, Gifts and Donations	-	121,156	17,862	139,018
Earnings on Investments	26,617	-	-	26,617
Miscellaneous	1,459	-	-	1,459
<i>Total Receipts</i>	<u>1,864,467</u>	<u>121,156</u>	<u>17,862</u>	<u>2,003,485</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	714,600	-	3,069	717,669
Collection Development and Processing	525,887	-	6,017	531,904
Support Services:				
Facilities Operation and Maintenance	146,433	-	3,030	149,463
Information Services	69,747	-	-	69,747
Business Administration	241,589	-	-	241,589
Capital Outlay	23,655	15,135	962	39,752
<i>Total Disbursements</i>	<u>1,721,911</u>	<u>15,135</u>	<u>13,078</u>	<u>1,750,124</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>142,556</u>	<u>106,021</u>	<u>4,784</u>	<u>253,361</u>
Other Financing Sources (Uses)				
Transfers In	-	100,000	-	100,000
Transfers Out	(100,000)	-	-	(100,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	42,556	206,021	4,784	253,361
<i>Fund Balances Beginning of Year</i>	<u>291,635</u>	<u>156,770</u>	<u>40,954</u>	<u>489,359</u>
<i>Fund Balances End of Year</i>	<u>\$ 334,191</u>	<u>\$ 362,791</u>	<u>\$ 45,738</u>	<u>\$ 742,720</u>

See accompanying notes to the basic financial statements

North Canton Public Library
Stark County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Receipts				
Property and Other Local Taxes	\$ 177,550	\$ 177,550	\$ 188,768	\$ 11,218
Intergovernmental	1,547,962	1,547,962	1,545,741	(2,221)
Patron Fines and Fees	104,200	104,200	101,882	(2,318)
Contributions, Gifts and Donations	500	500	-	(500)
Earnings on Investments	12,000	12,000	26,617	14,617
Miscellaneous	2,700	2,700	1,459	(1,241)
<i>Total receipts</i>	<u>1,844,912</u>	<u>1,844,912</u>	<u>1,864,467</u>	<u>19,555</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	736,077	738,320	738,102	218
Collection Development and Processing	539,224	549,885	545,357	4,528
Support Services:				
Facilities Operation and Maintenance	178,926	152,067	152,067	-
Information Services	80,165	73,365	73,354	11
Business Administration	276,078	245,706	244,115	1,591
Capital Outlay	26,700	21,209	19,976	1,233
<i>Total Disbursements</i>	<u>1,837,170</u>	<u>1,780,552</u>	<u>1,772,971</u>	<u>7,581</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,742</u>	<u>64,360</u>	<u>91,496</u>	<u>11,974</u>
Other Financing Sources (Uses)				
Transfers Out	-	(100,000)	(100,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	7,742	(35,640)	(8,504)	11,974
<i>Fund Balance Beginning of Year</i>	249,375	249,375	249,375	-
<i>Prior Year Encumbrances Appropriated</i>	<u>42,260</u>	<u>42,260</u>	<u>42,260</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 299,377</u>	<u>\$ 255,995</u>	<u>\$ 283,131</u>	<u>\$ 11,974</u>

See accompanying notes to the basic financial statements

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 1 – Description of the Library and Reporting Entity

The North Canton Public Library was organized as a school district public library in 1926 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the North Canton City Schools 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 that of the Clerk-Treasurer.

The Library is fiscally independent of the North Canton City Schools Board of Education, although the Board of Education serves 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 place 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 North Canton 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.

PUBLIC ENTITY RISK POOL

The Library participates in one public entity risk pool, the Stark County Schools Council of Government (the "Council"). The Council has a Health Benefits Program which is a shared risk pool comprised of 39 entities, most of which are school districts. The Library provides health, life and disability insurance coverage through the Council. The Council also provides a Workers' Compensation group rating plan which is an insurance purchasing pool, but the library does not participate in this program. More details regarding the Council are covered in Note 12.

The Friends of the North Canton Public Library (Friends) is a not-for-profit organization with a self-appointing board. Periodically, the Friends provide financial donations to the Library for programs and services, but the Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The revenues/net assets of the Friends are not significant to the Library as they total less than 5% of the library's total fund revenues or net assets. Therefore, this organization has been excluded from the reporting entity of the Library.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 1 – Description of the Library and Reporting Entity (continued)

The Friends of the Little Art Gallery (FLAG) is a not-for-profit organization with a self-appointing board. The Chairman of the Art Committee of the Library Board of Trustees serves on the FLAG Board, but as an ex-officio, non-voting member. Periodically, FLAG provides financial donations to the Library for programs and services, but the Library is not financial accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The revenues/net assets of the FLAG are not significant to the Library as they total less than 5% of the library's total fund revenues or net assets. Therefore, this organization has been excluded from the reporting entity of the Library.

The North Canton Public Library Association (the Association) is an organization with a self-appointing board. Periodically, the Library Association provides financial donations to the Library for capital projects, programs and services, but the Library is not financial accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. According to Auditor of State Bulletin 2004-001, public libraries that issue financial statements using the cash basis of accounting need not incorporate affiliated organizations within their government. Therefore, the Library is not required to and has not included the Association within 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

The financial statements of the North Canton Public 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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash and investment balances 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

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 2 - Summary of Significant Accounting Policies (continued)

Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity 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. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants and LLGSF), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – This 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 liabilities and the related expenses) are not recorded in these financial statements.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, (except agency 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 resolution 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

Library records identify the purchase of specific investments by specific funds.

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

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

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

During 2006, the library did not have any investments, but only had demand deposits and savings account deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund for statement savings during 2006 amounted to \$26,617.

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.

North Canton Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

G. Capital Assets

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

H. Accumulated Leave

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

I. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

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.

L. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

The Library had the following Interfund Transfers in 2006:

<u>From Fund</u> General	<u>To Fund</u> Permanent Improvement	<u>Amount</u> \$100,000
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Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 3 – Change in Financial Statement Presentation

Last year the Library reported fund financial statements by fund type using the regulatory (cash) basis of accounting as prescribed by the Auditor of State's Office. This year the Library has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$51,060 for the general fund.

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.

Interim monies held by the Library can be deposited or invested in the following securities:

North Canton Public Library
Stark County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

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,
3. Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
4. 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;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. 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 \$275 in undeposited cash on hand which is included as part of "Cash" or "Cash and Cash Equivalents" on the financial statements.

Deposits

GASB Statement No. 40 Statement No. 3 to limit custodial credit risk disclosure requirements to deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Library's bank balance was \$777,837. Of the bank balance, \$100,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by third party trustees pursuant to Section 135.181 Revised Code, in collateralized pools securing all public funds on deposit with the specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

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

GASB Statement No. 40 establishes and modifies disclosures related to investment risks: interest rate risk, credit risk (including custodial credit risk and concentration of credit risk, and foreign currency risk).

As of December 31, 2006, the Library had no investments.

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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."

Note 6 – Grant-in-Aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on a formula that is agreed upon each year by all libraries in the county. The Budget Commission cannot reduce its allocation of these funds to the Library based upon any additional revenues the Library receives.

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the North Canton City School District. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 6 – Grant-in-Aid and Tax Receipts (continued)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2006, was \$50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 496,151,360
Commercial/Industrial/Mineral	103,413,850
Tangible Personal Property	
Business	32,452,872
Public Utility	14,398,250
Total Assessed Value	<u>\$ 646,416,332</u>

Note 7 – Interfund Receivables/Payables

There were no Interfund Receivables/Payables at December 31, 2006.

Note 8 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Library obtained commercial insurance for the following risks: Comprehensive property and general liability; Directors and Officers; Surety bonds. 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 also provides health, life and disability insurances to employees through private carriers.

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.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 9 - 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 year ended December 31, 2006, the members of all three plans were required to contribute 9.00 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The library's required contribution for pension obligations for the years ended December 31, 2006, 2005, and 2004 were \$131,230, \$114,331, and 120,344 respectively. The Ohio Revised Code provides statutory authority for member and employer contributions; the full amount has been contributed for 2006.

Note 10 - 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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 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, 2006, include a rate of return on investments of 6.50 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 5.00 percent annually for the next eight years and 4.00 percent annually nine years and beyond.

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.

**North Canton Public Library
Stark County**
*Notes to the Basic Financial Statements
For the Year Ended December 31, 2006*

Note 10 - Postemployment Benefits (continued)

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$130,601. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 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. Member and employer contribution rates increased as of January 1, 2006, 2007 and 2008, which allowed additional funds to be allocated to the health care plan.

Note 11 - Leases

The Library leases equipment under noncancelable leases. The Library disbursed \$2,040 to pay lease costs for the year ended December 31, 2006. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 2,040
2008	2,040
2009	2,040
Total	<u>\$ 6,120</u>

Note 12 - Public Entity Risk Pool

The Library participates in one public entity risk pool, the Stark County Schools Council of Government (the "Council"). The Council is governed by an assembly which consists of one representative from each participating school district or other entity (usually the superintendent, director or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

North Canton Public Library
Stark County
185 N. Main Street
North Canton, OH 44720

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Canton Public Library, Stark County, Ohio (the Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 24, 2008, wherein we noted that the Library followed the cash basis of accounting rather than generally accepted accounting principles. Also, we noted that the Library changed the presentation of its financial statements in accordance with Governmental Accounting Standards Board Statements Number 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control.

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

Compliance and Other Matters

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

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

Charles E. Harris & Associates, Inc.
May 24, 2008

**NORTH CANTON PUBLIC LIBRARY
STARK COUNTY, OHIO
*For the year ended December 31, 2006***

Status of Prior Audit Findings

The prior audit report, for the years ending December 31, 2005 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

NORTH CANTON PUBLIC LIBRARY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 26, 2008**