

***NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004***

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





**Auditor of State  
Betty Montgomery**

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, Richland County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 9, 2006

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**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2005 & 2004**

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

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

**Board of Trustees  
North Canton Public Library  
North Canton, Ohio**

**We have audited the accompanying financial statements of the North Canton Public Library, Stark County, (the Library), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.**

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

**As discussed in Note 1, the Library prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.**

**Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.**

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library, as of December 31, 2005 and 2004, and the combined receipts, disbursements, and changes in fund cash balances for the years then ended in conformity with the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2006 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be read in conjunction with this report in considering the results of our audit.

*Charles E. Harris & Associates, Inc.*  
April 21, 2006

**NORTH CANTON PUBLIC LIBRARY**  
**Stark County, Ohio**  
**Combined Statement of Receipts, Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2005**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 182,617	\$ -	\$ -	\$ 182,617
Other Government Grants-In-Aid	1,497,903	-	-	1,497,903
Patron Fines and Fees	108,097	-	-	108,097
Earnings on Investments	11,897	-	-	11,897
Contributions, Gifts and Donations	-	24,957	55,563	80,520
Miscellaneous Revenue	533	-	23,461	23,994
<b>Total Receipts</b>	<b>1,801,047</b>	<b>24,957</b>	<b>79,024</b>	<b>1,905,028</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Salaries	914,412	-	-	914,412
Employee Benefits	154,212	-	-	154,212
Purchased and Contractual Services	228,720	3,430	86,055	318,205
Library Materials and Information	296,787	5,645	4,673	307,105
Supplies	61,700	3,258	-	64,958
Miscellaneous	11,704	-	-	11,704
Capital Outlay	69,087	9,471	19,450	98,008
<b>Total Disbursements</b>	<b>1,736,622</b>	<b>21,804</b>	<b>110,178</b>	<b>1,868,604</b>
<b>Total Receipts Over/(Under)</b>				
Disbursements	64,425	3,153	(31,154)	64,425
<b>Other Financing Sources (Uses):</b>				
Sale of Fixed Asset	3,187	-	-	3,187
<b>Total Other Financing Sources (Uses)</b>	<b>3,187</b>	<b>-</b>	<b>-</b>	<b>3,187</b>
<b>Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Uses</b>	<b>67,612</b>	<b>3,153</b>	<b>(31,154)</b>	<b>67,612</b>
<b>Fund Cash Balance, January 1</b>	<b>224,023</b>	<b>32,896</b>	<b>192,829</b>	<b>449,748</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 291,635</b>	<b>\$ 36,049</b>	<b>\$ 161,675</b>	<b>\$ 489,359</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ 42,260</b>	<b>\$ 389</b>	<b>\$ -</b>	<b>\$ 42,649</b>

See accompanying Notes to the Financial Statements.

**NORTH CANTON PUBLIC LIBRARY**  
**Stark County, Ohio**  
**Combined Statement of Receipts, Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2004**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 184,472	\$ -	\$ -	\$ 184,472
Other Government Grants-In-Aid	1,439,156	-	-	1,439,156
Patron Fines and Fees	82,355	-	-	82,355
Earnings on Investments	5,680	-	-	5,680
Contributions, Gifts and Donations	90	21,050	57,009	78,149
Miscellaneous Revenue	11,702	-	-	11,702
<b>Total Receipts</b>	<b>1,723,455</b>	<b>21,050</b>	<b>57,009</b>	<b>1,801,514</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Salaries	895,937	-	-	895,937
Employee Benefits	150,904	-	-	150,904
Purchased and Contractual Services	201,306	4,593	-	205,899
Library Materials and Information	283,164	8,346	2,701	294,211
Supplies	58,914	1,946	-	60,860
Miscellaneous	23,885	-	-	23,885
Capital Outlay	84,630	4,775	160,986	250,391
<b>Total Disbursements</b>	<b>1,698,740</b>	<b>19,660</b>	<b>163,687</b>	<b>1,882,087</b>
<b>Excess of Receipts Over/(Under)</b>				
Disbursements	24,715	1,390	(106,678)	24,715
<b>Fund Cash Balance, January 1</b> (as Restated, see note 8)	<b>199,308</b>	<b>31,506</b>	<b>299,507</b>	<b>530,321</b>
<b>Fund Cash Balance, December 31</b>	<b>\$ 224,023</b>	<b>\$ 32,896</b>	<b>\$ 192,829</b>	<b>\$ 449,748</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ 99,665</b>	<b>\$ 3,003</b>	<b>\$ 3,650</b>	<b>\$ 106,318</b>

See accompanying Notes to the Financial Statements.

**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

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

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

**B. BASIS OF ACCOUNTING**

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

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

**C. CASH AND INVESTMENTS**

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

**D. FUND ACCOUNTING**

The Library maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund:** The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds:** These funds are used to account for resources which do not have legally binding trust agreements. The Library's only Special Revenue fund is the Expendable Memorial and Gift Trust Fund which is used to account for monies received from bequests and gifts. The monies are expended at the discretion of the Board of Trustees.

**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2005 and 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. FUND ACCOUNTING – (Continued)**

**Capital Projects Funds:** To account for the proceeds of specific revenue sources that are restricted for the acquisition or construction of major capital projects. The Library's major capital project fund is the permanent improvement fund which receives monies for the maintenance of and improvements to the Library's facilities.

**E. BUDGETARY PROCESS**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. PROPERTY, PLANT AND EQUIPMENT**

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

**G. UNPAID VACATION AND SICK LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

**H. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2005 and 2004 is \$489,359 and \$449,748 respectively.

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Library had no investments as of December 31, 2005 and 2004.

**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2005 and 2004**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,785,450	\$ 1,804,234	\$ 18,784
Special Revenue	15,000	24,957	9,957
Capital Projects	70,000	79,024	9,024
Total	\$ 1,870,450	\$ 1,908,215	\$ 37,765

2005 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	\$ 1,814,285	\$ 1,736,622	\$ 77,663
Special Revenue	24,700	21,804	2,896
Capital Projects	191,000	110,178	80,822
Total	\$ 2,029,985	\$ 1,868,604	\$ 161,381

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,733,092	\$ 1,723,455	\$ (9,637)
Special Revenue	15,000	21,050	6,050
Capital Projects	100,000	57,009	(42,991)
Total	\$ 1,848,092	\$ 1,801,514	\$ (46,578)

2004 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	\$ 1,775,324	\$ 1,698,740	\$ 76,584
Special Revenue	22,700	19,660	3,040
Capital Projects	255,000	163,687	91,313
Total	\$ 2,053,024	\$ 1,882,087	\$ 170,937

**4. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2005 and 2004**

**5. PENSION AND RETIREMENT PLANS**

The employees of North Canton Public Library are covered by the Ohio Public Employees Retirement System (OPERS). The State of Ohio accounts for the activities of the retirement system and the amounts of this fund is not reflected in the accompanying financial statements.

**Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% of their gross salaries. For local government employer units, the rate was 13.55% of covered payroll for 2005 and 2004. The contribution rates are determined actuarially. The Library has paid all contributions required through December 31, 2005.

**6. CONTINGENT LIABILITIES**

The Library may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Library.

**7. GRANTS-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 its needs, such as for the construction of new buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based upon any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**NORTH CANTON PUBLIC LIBRARY  
STARK COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2005 and 2004**

**8. RESTATEMENT OF FUND BALANCE**

The Library restated prior year fund balances by \$31,506. In prior years, the fund balance was recorded as an Expendable Trust Fund but due to the expenditures being spent by the discretion of the Board and the lack of a formal trust agreement, the fund balance was restated to a Special Revenue Fund.

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

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

**The Board of Trustees  
North Canton Public Library  
North Canton, Ohio**

We have audited the financial statements of the North Canton Public Library, Stark County, Ohio, (the Library) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 21, 2006, wherein we noted the Library follows accounting practices the Auditor of State prescribes 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 Controls Over Financial Reporting**

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

**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, grant 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 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.*  
April 21, 2006

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2003 and 2002, reported no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**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  
JUNE 22, 2006**