



Mary Taylor, CPA
Auditor of State

MASSILLON PUBLIC LIBRARY
STARK COUNTY

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Mary Taylor, CPA

Auditor of State

Massillon Public Library
Stark County
208 Lincoln Way East
Massillon, Ohio 44646

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2006 interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 25, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Massillon Public Library
Stark County
208 Lincoln Way East
Massillon, Ohio 44646

To the Board of Trustees:

We have audited the accompanying financial statements of Massillon Public Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2006. 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 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. 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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. 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 for the year ended December 31, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Massillon Public Library, Stark County, as of December 31, 2006, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Massillon Public Library, Stark County, as of December 31, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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 our report dated May 25, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 25, 2007

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Other Government Grants-In-Aid	\$1,631,046			\$1,631,046
Patron Fines and Fees	75,279			75,279
Earnings on Investments	36,133	\$3,601	\$13,385	53,119
Contributions, Gifts and Donations	15,378	750	159,651	175,779
Miscellaneous Receipts	4,587			4,587
	<u>1,762,423</u>	<u>4,351</u>	<u>173,036</u>	<u>1,939,810</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,215,324			1,215,324
Purchased and Contracted Services	196,132	355	72,055	268,542
Other Objects	324,889	578		325,467
Capital Outlay	26,441		179,398	205,839
	<u>1,762,786</u>	<u>933</u>	<u>251,453</u>	<u>2,015,172</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(363)	3,418	(78,417)	(75,362)
Fund Cash Balances, January 1	825,656	73,781	268,383	1,167,820
Fund Cash Balances, December 31	<u>\$825,293</u>	<u>\$77,199</u>	<u>\$189,966</u>	<u>\$1,092,458</u>
Reserves for Encumbrances, December 31	<u>\$31,261</u>	<u>\$66,000</u>	<u>\$3,330</u>	<u>\$100,591</u>

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

MASSILLON PUBLIC LIBRARY
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
IN FUND CASH BALANCES - PERMANENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Permanent Fund</u>
Non-Operating Cash Receipts:	
Earnings on Investments	<u>\$158</u>
Net Receipts Over Disbursements	158
Fund Cash Balances, January 1	<u>3,219</u>
Fund Cash Balances, December 31	<u><u>\$3,377</u></u>
Reserves for Encumbrances, December 31	<u><u>\$0</u></u>

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

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Massillon Public Library, Stark County, (the Library) as a body corporate and politic. The Massillon City School Board appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library is associated with an organization which is presented in Note 9.

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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

MASSILLON PUBLIC LIBRARY
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

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

2. **Special Revenue Funds (Continued)**

Conrad Fund – This fund is used to account for one bequest received and held by the Library, with both the principal and earnings to be expended as Board deemed necessary.

3. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through trust funds). The Library had the following significant Capital Project Funds

Replacement Bookmobile Fund – This fund is used for the purchase of a bookmobile and is funded by local grant monies and donations.

Building and Repair Fund – This fund is used for construction and repairs to the library.

4. **Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant Permanent Fund:

Nonexpendable Trust Fund – This fund is used to account for various donations received and held by the Library, with only the earnings on the principal to be expended for the purchase of books.

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 and function level of control.

A summary of 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

2. RECLASSIFICATION OF FUND BALANCES

For fiscal year 2006, the Library reclassified its Conrad Trust Fund from the expendable trust fund to special revenue funds in accordance with Audit of State Bulletin 2005-005.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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 follows:

	2006
Demand deposits	\$537,650
Money Market	278,767
Total deposits	816,417
STAR Ohio	278,138
Total deposits and investments	\$1,094,555

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

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

Cash on Hand: At year end, the Library had \$1,280 in undeposited cash on hand which is included on the financial statements of the Library as part of the "fund cash balance."

4. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,762,423	\$1,762,423	\$0
Special Revenue	4,351	4,351	0
Capital Projects	173,035	173,036	1
Fiduciary	158	158	0
Total	\$1,939,967	\$1,939,968	\$1

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,792,974	\$1,794,047	(\$1,073)
Special Revenue	66,933	66,933	0
Capital Projects	254,783	254,783	0
Fiduciary	0	0	0
Total	\$2,114,690	\$2,115,763	(\$1,073)

5. 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 State allocates LLGSF 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 which incorporates square footage, full-time equivalent employees, general fund expenditures for library materials, number of cardholders and circulation. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 9 percent of their gross salaries. The Library contributed an amount equal to 13.7 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Massillon Public Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance to full-time employees through a private carrier.

**MASSILLON PUBLIC LIBRARY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the state government. The grantor may require refund of any disallowed costs. Management cannot presently determine amounts which may be disallowed. However, based on prior experience, management believes any refunds would be immaterial.

9. RELATED PARTY TRANSACTIONS

The Library Board and Clerk-Treasurer hold the same positions for McClymond's Public Library Association, a not-for-profit entity incorporated under Chapter 1702 of the Ohio Revised Code. The Library is not financially accountable for McClymond's Public Library Association and does not impose its will on the organization and a financial benefit/burden does not exist.

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Mary Taylor, CPA

Auditor of State

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

Massillon Public Library
Stark County
208 Lincoln Way East
Massillon, Ohio 44646

To the Board of Trustees:

We have audited the financial statements of the Massillon Public Library, Stark County, Ohio, (the Library) as of and for the year ended December 31, 2006, and have issued our report thereon dated May 25, 2007, wherein we noted the Library follows the 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 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be 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. We noted a certain matter that we reported to the Library's management in a separate letter dated May 25, 2007.

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 the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 25, 2007



Mary Taylor, CPA
Auditor of State

MASSILLON 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 26, 2007**