
ALGER & ASSOCIATES, Inc.

CERTIFIED PUBLIC ACCOUNTANTS



NORTH CANTON PUBLIC LIBRARY

STARK COUNTY, OHIO

AAA
REGULAR AUDIT

FOR THE YEAR ENDED

DECEMBER 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the North Canton Public Library, Stark County, prepared by Alger & Associates, LLC, for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 5, 2012

**NORTH CANTON PUBLIC LIBRARY
STARK COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Accountants' Report..... | 1 |
| Statement of Net Assets – Cash Basis, December 31, 2011 | 3 |
| Statement of Activities – Cash Basis, For the Year Ended December 31, 2011 | 4 |
| Statement of Cash Basis Assets and Fund Balances – Governmental Funds, December 31, 2011 | 5 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds, For the Year Ended December 31, 2011 | 6 |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual – Budget Basis General Fund, For the Year Ended December 31, 2011 | 7 |
| Notes to the Basic Financial Statements | 9 |
| Independent Accountants Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |

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ALGER & ASSOCIATES, Inc

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

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, the major fund and the aggregate remaining fund information of North Canton Public Library, Stark County, Ohio (the Library), as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 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 financial position of the governmental activities, the major fund, and the aggregate remaining fund information of North Canton Public Library, Stark County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General fund for 2011, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 2H, during 2011, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Alger & Associates, Inc.
June 8, 2012

North Canton Public Library
Stark County
Statement of Net Assets - Cash Basis
December 31, 2011

| | <u>Governmental Activities</u> |
|---------------------------|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 1,243,145 |
| <i>Total Assets</i> | <u>\$ 1,243,145</u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$ 380,981 |
| Unrestricted | <u>862,164</u> |
| <i>Total Net Assets</i> | <u>\$ 1,243,145</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, 2011

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets | |
|---------------------------------------|-----------------------|--------------------------------------|--|--|--------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Government Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | \$ 536,990 | \$ 82,738 | | | \$ (454,252) |
| Collection Development and Processing | 443,809 | | \$ 14,208 | | (429,601) |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 133,568 | | | | (133,568) |
| Information Services | 105,433 | | | | (105,433) |
| Business Administration | 313,165 | | | | (313,165) |
| Capital Outlay | 87,942 | | | \$ 51,907 | (36,035) |
| <i>Total Governmental Activities</i> | <u>\$1,620,907</u> | <u>\$82,738</u> | <u>\$14,208</u> | <u>\$51,907</u> | <u>(1,472,054)</u> |
| General Receipts: | | | | | |
| | | | | | 737,338 |
| | | | | | 1,350,529 |
| | | | | | 208 |
| | | | | | 659 |
| | | | | | 607 |
| <i>Total General Receipts</i> | | | | | <u>2,089,341</u> |
| Change in Net Assets | | | | | 617,287 |
| <i>Net Assets Beginning of Year</i> | | | | | <u>625,858</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$ 1,243,145</u> |

See accompanying notes to the basic financial statements

North Canton Public Library
Stark County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2011

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------|---|---|
| Assets | | | |
| Cash and Cash Equivalents | \$ 801,761 | \$ 441,384 | \$ 1,243,145 |
| <i>Total Assets</i> | <u>\$ 801,761</u> | <u>\$ 441,384</u> | <u>\$ 1,243,145</u> |
| Fund Balances | | | |
| Committed | | \$44,727 | \$44,727 |
| Assigned | \$ 89,140 | 1,900 | 91,040 |
| Unassigned | 712,621 | 394,757 | 1,107,378 |
| <i>Total Fund Balances</i> | <u>\$801,761</u> | <u>\$441,384</u> | <u>\$1,243,145</u> |

See accompanying notes to the basic financial statements

**North Canton Public Library
Stark County**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance
Governmental Funds
For the Year Ended December 31, 2011*

| | General | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| Receipts | | | |
| Property and Other Local Taxes | \$ 737,338 | | \$ 737,338 |
| Public Library Fund | 1,226,421 | | 1,226,421 |
| Intergovernmental | 124,108 | | 124,108 |
| Patron Fines and Fees | 82,738 | | 82,738 |
| Contributions, Gifts and Donations | 208 | \$ 66,115 | 66,323 |
| Earnings on Investments | 659 | | 659 |
| Miscellaneous | 607 | | 607 |
| <i>Total Receipts</i> | <u>2,172,079</u> | <u>66,115</u> | <u>2,238,194</u> |
| Disbursements | | | |
| Current: | | | |
| Library Services: | | | |
| Public Services and Programs | 533,023 | 3,967 | 536,990 |
| Collection Development and Processing | 438,670 | 5,139 | 443,809 |
| Support Services: | | | |
| Facilities Operation and Maintenance | 129,299 | 4,269 | 133,568 |
| Information Services | 105,433 | | 105,433 |
| Business Administration | 313,165 | | 313,165 |
| Capital Outlay | 79,942 | 8,000 | 87,942 |
| <i>Total Disbursements</i> | <u>1,599,532</u> | <u>21,375</u> | <u>1,620,907</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>572,547</u> | <u>44,740</u> | <u>617,287</u> |
| Other Financing Sources (Uses) | | | |
| Transfers In | | 250,000 | 250,000 |
| Transfers Out | (250,000) | | (250,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(250,000)</u> | <u>250,000</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 322,547 | 294,740 | 617,287 |
| <i>Fund Balances Beginning of Year</i> | <u>479,214</u> | <u>146,644</u> | <u>625,858</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 801,761</u> | <u>\$ 441,384</u> | <u>\$ 1,243,145</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
December 31, 2011*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 811,156 | \$ 811,156 | \$ 737,338 | \$ (73,818) |
| Public Library Fund | 1,154,530 | \$1,154,530 | 1,226,421 | 71,891 |
| Intergovernmental | 60,000 | \$60,000 | 124,108 | 64,108 |
| Patron Fines and Fees | 70,000 | \$70,000 | 82,738 | 12,738 |
| Contributions, Gifts and Donations | 500 | \$500 | 208 | (292) |
| Earnings on Investments | 500 | \$500 | 659 | 159 |
| Miscellaneous | 2,000 | \$2,000 | 607 | (1,393) |
| <i>Total Receipts</i> | <u>2,098,686</u> | <u>2,098,686</u> | <u>2,172,079</u> | <u>73,393</u> |
| Disbursements | | | | |
| Current: | | | | |
| Salaries and Benefits | 1,111,191 | 1,111,191 | 965,593 | 145,598 |
| Supplies | 59,254 | 59,254 | 42,363 | 16,891 |
| Purchased and Contracted Services | 346,054 | 346,054 | 248,815 | 97,239 |
| Library Materials and Information | 342,994 | 342,994 | 339,513 | 3,481 |
| Other | 44,370 | 44,370 | 9,479 | 34,891 |
| Capital Outlay | 116,000 | 116,000 | 80,670 | 35,330 |
| <i>Total Disbursements</i> | <u>2,019,862</u> | <u>2,019,862</u> | <u>1,686,433</u> | <u>333,429</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>78,824</u> | <u>78,824</u> | <u>485,646</u> | <u>(260,036)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (150,000) | (250,000) | (250,000) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(150,000)</u> | <u>(250,000)</u> | <u>(250,000)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (71,176) | (171,176) | 235,646 | (260,036) |
| <i>Fund Balance Beginning of Year</i> | <u>359,349</u> | <u>359,349</u> | <u>359,349</u> | <u>359,347</u> |
| Prior Year Encumbrances Appropriated | <u>119,862</u> | <u>119,862</u> | <u>119,862</u> | <u>119,862</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 408,035</u> | <u>\$ 308,035</u> | <u>\$ 714,857</u> | <u>\$ 219,173</u> |

See accompanying notes to the basic financial statements

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North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Fiscal Officer.

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. 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.

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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

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 financially 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, 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

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 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 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.

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.

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.

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

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

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.

Investments in nonnegotiable certificates of deposit are considered part of the cash management pool and are presented on the financial statements as cash equivalents.

During 2011, the Library had a money market fund, and demand deposits and savings account deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest is credited to the General Fund for statement savings, certificates of deposit and money market funds during 2011 amounted to \$659.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

I. 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.

J. 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.

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 2 – Summary of Significant Accounting Policies (continued)

K. 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. The Library has set aside resources restricted for the cost of improving the existing building.

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 one Interfund transfer in 2011 from the General Fund to the Permanent Improvement (Capital) Fund in the amount of \$250,000.

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.

M. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Note 3 – Accountability and Compliance

A. Accountability

There were no deficit fund balances/net assets as of December 31, 2011.

B. Compliance

There were no known compliance issues as of December 31, 2011.

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 \$86,901 for the General Fund.

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

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:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
 (continued)

Note 5 – Deposits and Investments (continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Fiscal Officer, or qualified trustee, unless the securities are not represented by a certificate, in which payment may be made upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Library's bank balance was \$1,281,732. Of the bank balance, \$1,104,485 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.

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

As of December 31, 2011, the Library had the following investments:

| Type | Fair Value | Maturity |
|------------------------|---------------------|------------------|
| Certificate of Deposit | \$250,000.00 | 367 days |
| Certificate of Deposit | <u>\$249,997.50</u> | <u>181 days</u> |
| Totals | \$499,997.50 | 274 days average |

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

Credit Risk - 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.

Custodial Credit Risk - 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."

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 6 - Property Taxes

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 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, 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.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, 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 2011 (other than public utility property) represent the collection of 2011 taxes. Tangible personal property taxes received in 2011 were levied after October 1, 2010, on the true value as of December 31, 2010. Tangible personal property assessments have been phased out – the assessment percentage for all property including inventory for 2010 has been reduced to zero. 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, 2011, was \$150 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

| | |
|-------------------------------|-----------------------|
| Real Property | |
| Residential/Agricultural | \$ 535,260,900 |
| Commercial/Industrial/Mineral | 115,450,630 |
| Tangible Personal Property | |
| Business | 0 |
| Public Utility | 9,770,770 |
| Total Assessed Value | <u>\$ 660,482,300</u> |

Note 7 – Interfund Receivables/Payables

There were no Interfund Receivables/Payables at December 31, 2011.

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 2011, 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.

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 8 - Risk Management (continued)

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

Note 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, 2011, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2011 was 14 percent. The Ohio Revised Code provides statutory authority for member and employer contributions; the full amount has been contributed for 2011.

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 and 45*. 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 2011 local government employer contribution rate was 14 percent of covered payroll. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% and 6.05% for the Combined Plan members during calendar year 2011.

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, 2008, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 and 3.0 percent annually for the next six years and 4.0 percent annually seven years and beyond.

North Canton Public Library
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011
(continued)

Note 10 - Postemployment Benefits (continued)

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, not to exceed a 23% corridor.

Note 10 - Postemployment Benefits

The number of active contributing participants in the traditional and combined plans was 357,584 as of December 31, 2009. Actual employer contributions for 2011 which were used to fund postemployment benefits were \$30,520. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 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 non-cancelable leases. The Library disbursed \$2,557 to pay lease costs for the year ended December 31, 2011. Future lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------------|
| 2012 | \$ 1,524 |
| 2013 | 1,524 |
| Total | <u><u>\$ 3,048</u></u> |

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ALGER & ASSOCIATES, Inc

Certified Public Accountants

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the North Canton Public Library, Stark County, (the Library) as of and for the year ended December 31, 2011, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 8, 2012, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Library implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

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

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North Canton Public Library
Stark County
Independent Accountants' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*

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 did a note certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated June 8, 2012.

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

Alger & Associates, Inc
June 8, 2012

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North Canton, OH 44720
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Dave Yost • 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
NOVEMBER 15, 2012**