

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002

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



**Auditor of State
Betty Montgomery**

Board of Trustees
North Canton Public Library

We have reviewed the Independent Auditor's Report of the North Canton Public Library, Stark County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2002 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 30, 2004

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**NORTH CANTON PUBLIC LIBRARY
STARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2003 & 2002**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Table of Contents	i
Report of Independent Accountants	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2002	2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Years Ended December 31, 2003 and 2002	3 - 4
Notes to the Financial Statements	5 - 10
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Status of Prior Audit's Citations and Recommendations	12

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

REPORT OF INDEPENDENT ACCOUNTANTS

**North Canton Public Library
North Canton, Ohio**

We have audited the accompanying financial statements of North Canton Public Library, Stark County, (the Library), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Library prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Library, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2004 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 grants. 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.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 26, 2004

**NORTH CANTON PUBLIC LIBRARY
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
As of December 31, 2003 & 2002**

	<u>2003 Balance</u>	<u>2002 Balance</u>
Cash and Cash Equivalents	\$ 530,321	\$ 335,717
	<u>\$ 530,321</u>	<u>\$ 335,717</u>

CASH BALANCES BY FUND CLASS

Governmental Fund Types:

General Fund	\$ 199,308	\$ 192,707
Capital Projects Funds	299,507	117,558

Fiduciary Fund Type:

Expendable Trust	<u>31,506</u>	<u>25,452</u>
Total	<u>\$ 530,321</u>	<u>\$ 335,717</u>

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 and Fiduciary Fund Types
For the Year Ended December 31, 2003**

	Governmental Fund Types		Fiduciary Fund Type	Total Memorandum Only
	General	Capital Projects	Expendable Trust	
Receipts:				
Property and Other Local Taxes	\$ 184,066	\$ -	\$ -	\$ 184,066
Other Government Grants-In-Aid	1,416,373	-	-	1,416,373
Patron Fines and Fees	73,572	-	-	73,572
Earnings on Investments	4,553	-	-	4,553
Contributions, Gifts and Donations	340	98,544	25,433	124,317
Miscellaneous Revenue	13,854	74,040	-	87,894
Total Receipts	1,692,758	172,584	25,433	1,890,775
Disbursements:				
Current:				
Salaries	840,653	-	-	840,653
Employee Benefits	140,867	-	-	140,867
Purchased and Contractual Services	196,386	-	7,846	204,232
Library Materials and Information	289,229	1,911	5,992	297,132
Supplies	48,943	-	2,941	51,884
Miscellaneous	20,705	-	-	20,705
Capital Outlay	42,474	95,624	2,600	140,698
Total Disbursements	1,579,257	97,535	19,379	1,696,171
Total Receipts Over/(Under) Disbursements	113,501	75,049	6,054	113,501
Other Financing Sources (Uses):				
Transfers In	-	106,900	-	106,900
Transfers Out	(106,900)	-	-	(106,900)
Total Other Financing Sources (Uses)	(106,900)	106,900	-	-
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	6,601	181,949	6,054	113,501
Fund Cash Balance, January 1	192,707	117,558	25,452	335,717
Fund Cash Balance, December 31	\$ 199,308	\$ 299,507	\$ 31,506	\$ 530,321
Reserve for Encumbrances, December 31	\$ 74,584	\$ -	\$ 1,048	\$ 75,632

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 and Fiduciary Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types		Fiduciary Fund Type	Total Memorandum Only
	General	Capital Projects	Expendable Trust	
Receipts:				
Property and Other Local Taxes	\$ 179,497	\$ -	\$ -	\$ 179,497
Other Government Grants-In-Aid	1,344,436	-	-	1,344,436
Patron Fines and Fees	73,567	-	-	73,567
Earnings on Investments	3,832	-	-	3,832
Contributions, Gifts and Donations	120	220,921	19,657	240,698
Miscellaneous Revenue	7,485	-	-	7,485
Total Receipts	1,608,937	220,921	19,657	1,849,515
Disbursements:				
Current:				
Salaries	851,217	-	-	851,217
Employee Benefits	144,009	-	-	144,009
Purchased and Contractual Services	173,880	38,717	1,518	214,115
Library Materials and Information	290,360	7,060	5,602	303,022
Supplies	47,333	-	3,578	50,911
Miscellaneous	13,715	-	-	13,715
Capital Outlay	36,272	385,985	19,377	441,634
Total Disbursements	1,556,786	431,762	30,075	2,018,623
Total Receipts Over/(Under)				
Disbursements	52,151	(210,841)	(10,418)	52,151
Other Financing Sources (Uses):				
Sale of Fixed Asset	7,294	-	-	7,294
Total Other Financing Sources (Uses)	7,294	-	-	7,294
Excess/Deficiency of Receipts and Other Sources Over Disbursements and Other Uses	59,445	(210,841)	(10,418)	59,445
Fund Cash Balance, January 1	133,262	328,399	35,870	497,531
Fund Cash Balance, December 31	\$ 192,707	\$ 117,558	\$ 25,452	\$ 335,717
Reserve for Encumbrances, December 31	\$ 24,325	\$ 95,000	\$ 145	\$ 119,470

See accompanying Notes to the Financial Statements.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

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. REPORTING ENTITY

In evaluating how to define the Library for financial reporting purposes, management has considered all agencies, departments and organizations making up North Canton Public Library (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." There were no significant changes in the reporting entity related to the implementation of this statement for the current audit period.

Component units are legally separate organizations for which the Library, as the primary government, 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. Component units may also include organizations for which the Library approves the budget, the issuance of debt, or the levying of taxes.

Based on the above definitions, the Library has determined that there were no component units required to be included the financial statements.

C. 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.

D. 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.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. CASH AND INVESTMENTS – (continued)

Investments in money markets are valued at share price, which is the price the investment could be sold for on December 31, 2002 and 2003.

E. 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.

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.

Fiduciary Funds (Trust Fund):

These funds are used to account for resources restricted by legally binding trust agreements. The Library's only fiduciary 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.

F. 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.

G. 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.

H. 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.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

I. 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 investment pool used by all funds. The balance of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances - All Fund Types, As of December 31, 2003 and 2002."

Legal Requirements

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

"Active deposits" are public deposits necessary to meet current demands on the treasury. Such 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligations guaranteed as to principal or interest by the United States.
2. Bonds, notes, debentures or any other obligations or securities 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 services shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities, subject to the repurchase agreement, must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that term of the agreement must not exceed thirty days.
4. Bond and other obligations of the State of Ohio.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS** - (continued)

Legal Requirements - (continued)

5. No -load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in the is division are made only through eligible institutions.
6. 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 be purchased within the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Clerk-Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No.3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the Library's deposits were \$530,321 in 2003 and \$335,717 in 2002 and the bank balance was \$565,608 in 2003 and \$397,318 in 2002. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC) with the remainder collateralized by securities specifically pledged by the financial institution to the Library.

Investments:

The Library's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or by its trust department but not in the Library's name. As of December 31, 2003 & 2002, the Library had no investments under GASB statement number 3.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	1,751,860	1,760,741	(8,881)
Capital Projects	393,000	97,535	295,465
Expendable Trust	28,945	20,427	8,518
Total	2,173,805	1,878,703	295,102

2002 Appropriations vs. Actual Expenditures			
Fund Type	Appropriations	Actual Expenditures	Variance
General	1,709,201	1,581,111	128,090
Capital Projects	877,389	526,762	350,627
Expendable Trust	43,712	30,220	13,492
Total	2,630,302	2,138,093	492,209

4. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

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 systems and the amounts of these funds are 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.

**NORTH CANTON PUBLIC LIBRARY
SUMMIT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2003 and 2002**

5. PENSION AND RETIREMENT PLANS (continued)

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 2003 and 2002. The contribution rates are determined actuarially. The Library has paid all contributions required through December 31, 2003.

6. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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.

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of North Canton Public Library, Stark County, Ohio, (the Library) as and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated July 26, 2004. 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.

Compliance

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 and grants, 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 test disclosed no instances of noncompliance that are required to be reported under *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 assurance 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 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.

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.
July 26, 2004

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2001 and 2000, did not include 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
SEPTEMBER 14, 2004**