



**Auditor of State
Betty Montgomery**

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Napoleon Public Library
Henry County
310 West Clinton Street
Napoleon, Ohio 43545-1597

To the Board of Trustees:

We have audited the accompanying financial statements of the Napoleon Public Library, Henry County, (the Library) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audits.

We conducted our audits 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 the 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 fund cash balances and reserves for encumbrances as of December 31, 2003 and December 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 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 the audit committee, management, Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 29, 2004

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 225,927	\$ -	\$ -	\$ 225,927
Other Government Grants-In-Aid	547,998	-	-	547,998
Patron Fines and Fees	13,566	-	-	13,566
Earnings on Investments	22,321	-	-	22,321
Contributions, Gifts and Donations	2,742	-	-	2,742
Miscellaneous Receipts	8,136	-	-	8,136
Total Cash Receipts	<u>820,690</u>	<u>-</u>	<u>-</u>	<u>820,690</u>
Cash Disbursements				
Current:				
Salaries and Benefits	467,415	-	-	467,415
Purchased and Contracted Services	87,289	-	-	87,289
Library Materials	149,777	-	-	149,777
Supplies and Materials	14,584	-	-	14,584
Other	4,946	-	-	4,946
Capital Outlay	11,511	397,583	-	409,094
Total Cash Disbursements	<u>735,522</u>	<u>397,583</u>	<u>-</u>	<u>1,133,105</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>85,168</u>	<u>(397,583)</u>	<u>-</u>	<u>(312,415)</u>
Other Financing Receipts/(Disbursements)				
Transfers-In	-	100,000	-	100,000
Transfers-Out	(100,000)	-	-	(100,000)
Total Other Financing Receipts/(Disbursements)	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,832)	(297,583)	-	(312,415)
Fund Cash Balances, January 1	<u>492,839</u>	<u>505,386</u>	<u>376,043</u>	<u>1,374,268</u>
Fund Cash Balances, December 31	<u>\$ 478,007</u>	<u>\$ 207,803</u>	<u>\$ 376,043</u>	<u>\$ 1,061,853</u>
Reserves for Encumbrances, December 31	<u>\$ 17,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,760</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Fiduciary Fund Type
	Nonexpendable Trust
Non-Operating Cash Receipts	
Contributions, Gifts and Donations	\$ 500
Earnings on Investments	2,234
Miscellaneous	6
Total Non-Operating Cash Receipts	2,740
Non-Operating Cash Disbursements:	
Library Materials	706
Scholarships	5,452
Total Non-Operating Cash Disbursements	6,158
Operating Loss	(3,418)
Fund Cash Balances, January 1	97,083
Fund Cash Balances, December 31	\$ 93,665
Reserves for Encumbrances, December 31	\$ -

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 214,924	\$ -	\$ -	\$ 214,924
Other Government Grants-In-Aid	548,708	-	-	548,708
Patron Fines and Fees	14,685	-	-	14,685
Earnings on Investments	36,503	-	-	36,503
Contributions, Gifts and Donations	849	-	-	849
Miscellaneous Receipts	5,653	-	-	5,653
Total Cash Receipts	<u>821,322</u>	<u>-</u>	<u>-</u>	<u>821,322</u>
Cash Disbursements				
Current:				
Salaries and Benefits	449,426	-	-	449,426
Purchased and Contracted Services	98,235	-	-	98,235
Library Materials	163,950	-	-	163,950
Supplies and Materials	12,810	-	-	12,810
Other	8,608	-	-	8,608
Capital Outlay	8,308	82,807	-	91,115
Total Cash Disbursements	<u>741,337</u>	<u>82,807</u>	<u>-</u>	<u>824,144</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	79,985	(82,807)	-	(2,822)
Fund Cash Balances, January 1	<u>412,854</u>	<u>588,193</u>	<u>376,043</u>	<u>1,377,090</u>
Fund Cash Balances, December 31	<u>\$ 492,839</u>	<u>\$ 505,386</u>	<u>\$ 376,043</u>	<u>\$ 1,374,268</u>
Reserves for Encumbrances, December 31	<u>\$ 15,989</u>	<u>\$ 342,503</u>	<u>\$ -</u>	<u>\$ 358,492</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts	
Gifts and Contributions	\$ 500
Earnings on Investments	3,240
	3,740
Operating Cash Disbursements	
Library Materials	1,190
Scholarships	6,500
	7,690
Operating Loss	(3,950)
Fund Cash Balances, January 1	101,033
Fund Cash Balances, December 31	\$ 97,083
Reserves for Encumbrances, December 31	\$ 1,000

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements 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).

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

C. Cash and 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 disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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:

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Building and Repair Fund - Revenues received are to be used for the building repairs and improvements.

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant fiduciary funds:

Memorial Endowment Expendable Trust Fund - This fund receives donations and bequests. There were no expenditures during the audit period.

Myers Scholarship Nonexpendable Trust Fund - This fund accounts for interest earnings utilized for scholarship awarded.

E. Budgetary Process

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

A summary of 2003 and 2003 budgetary activity appears in Note 3.

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2003	2002
Demand deposits	\$ 30,066	\$ 30,502
Certificates of deposit	599,870	644,349
Total deposits	629,936	674,851
Repurchase agreement	247,000	554,000
Money Market Access Account	278,582	242,500
Total investments	525,582	796,500
Total deposits and investments	\$ 1,155,518	\$ 1,471,351

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Library.

Investments: Repurchase agreements are held in book entry form by a financial institution's trust department in the Library's name. The financial institution maintains records identifying the Library as owner of these securities. Investments in money market accounts are not evidenced by securities that exist in physical or book-entry form.

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 980,989	\$ 753,282	\$ 227,707
Capital Projects	605,387	397,583	207,804
Fiduciary	389,578	6,158	383,420
Total	\$ 1,975,954	\$ 1,157,023	\$ 818,931

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 893,061	\$ 757,326	\$ 135,735
Capital Projects	588,192	425,310	162,882
Fiduciary	394,289	8,690	385,599
Total	\$ 1,875,542	\$ 1,191,326	\$ 684,216

4. 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 library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on 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

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 payment, 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.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

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

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

7. CONTINGENT LIABILITIES

The Library is currently in the appeal process with a decision handed down by the Ohio Arbitration and Mediation Center in 2003 concerning the responsibility of the payment for \$36,838 in roof damages.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Napoleon Public Library
Henry County
310 West Clinton Street
Napoleon, Ohio 43545-1597

To the Board of Trustees:

We have audited the accompanying financial statements of the Napoleon Public Library, Henry County, (the Library) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 29, 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 tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated June 29, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 29, 2004



**Auditor of State
Betty Montgomery**

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NAPOLEON PUBLIC LIBRARY

HENRY 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
JULY 27, 2004**