



**Auditor of State  
Betty Montgomery**



**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

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**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

Norwalk Public Library  
Huron County  
46 West Main Street  
Norwalk, Ohio 44857-1471

To the Board of Trustees:

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

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, the *Government Auditing Standards* permits the Auditor of State to provide the UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide 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 of the Library as of December 31, 2003 and 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 May 27, 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 audits.

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.



**Betty Montgomery**  
Auditor of State

May 27, 2004

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

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

|  | Governmental Fund Types |                 |                     | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|-----------------|---------------------|--------------------------------|
|  | General                 | Debt<br>Service | Capital<br>Projects |                                |
| <b>Cash Receipts</b>   |                         |                 |                     |                                |
| Property and Other Local Taxes   | \$ 143,007              |                 |                     | \$ 143,007                     |
| Library and Local Government Support   | 708,600                 |                 |                     | 708,600                        |
| Intergovernmental  | 17,272                  |                 |                     | 17,272                         |
| Patron Fines and Fees  | 30,083                  |                 |                     | 30,083                         |
| Contributions, Gifts and Donations   | 6,933                   |                 | \$ 22,590           | 29,523                         |
| Earnings on Investments  | 8,257                   |                 | 8,560               | 16,817                         |
| Miscellaneous Receipts   | 16,700                  |                 |                     | 16,700                         |
| <b>Total Cash Receipts</b>   | <b>930,852</b>          |                 | <b>31,150</b>       | <b>962,002</b>                 |
| <b>Cash Disbursements</b>  |                         |                 |                     |                                |
| Current:   |                         |                 |                     |                                |
| Salaries   | 482,480                 |                 |                     | 482,480                        |
| Employees Fringe Benefits  | 127,697                 |                 |                     | 127,697                        |
| Purchased and Contracted Services  | 133,291                 |                 | 3,553               | 136,844                        |
| Library Materials and Information  | 102,900                 |                 |                     | 102,900                        |
| Supplies   | 22,623                  |                 | 207                 | 22,830                         |
| Other  | 4,948                   |                 |                     | 4,948                          |
| Capital Outlay   | 149,103                 |                 | 274,330             | 423,433                        |
| Debt Service:  |                         |                 |                     |                                |
| Redemption of Principal  |                         | \$ 12,962       |                     | 12,962                         |
| Interest Payments and Other Financing<br>Fees and Costs  |                         | 1,690           |                     | 1,690                          |
| <b>Total Cash Disbursements</b>  | <b>1,023,042</b>        | <b>14,652</b>   | <b>278,090</b>      | <b>1,315,784</b>               |
| <b>Total Cash Disbursements Over Receipts</b>  | <b>(92,190)</b>         | <b>(14,652)</b> | <b>(246,940)</b>    | <b>(353,782)</b>               |
| <b>Other Financing Receipts/(Disbursements)</b>  |                         |                 |                     |                                |
| Proceeds of Notes  | 140,000                 |                 |                     | 140,000                        |
| Transfers-In   |                         | 14,652          |                     | 14,652                         |
| Transfers-Out  | (14,652)                |                 |                     | (14,652)                       |
| <b>Total Other Financing Receipts/(Disbursements)</b>  | <b>125,348</b>          | <b>14,652</b>   |                     | <b>140,000</b>                 |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | 33,158                  |                 | (246,940)           | (213,782)                      |
| Fund Cash Balances, January 1  | 119,886                 |                 | 372,071             | 491,957                        |
| <b>Fund Cash Balances, December 31</b>   | <b>\$ 153,044</b>       |                 | <b>\$ 125,131</b>   | <b>\$ 278,175</b>              |
| Reserves for Encumbrances, December 31   | \$ 23,903               |                 | \$ 1,000            | \$ 24,903                      |

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

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

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

|  | <u>Governmental Fund Types</u> |                             | Totals<br>(Memorandum<br>Only) |
|--|--------------------------------|-----------------------------|--------------------------------|
|  | <u>General</u>                 | <u>Capital<br/>Projects</u> |                                |
| <b>Cash Receipts</b>   |                                |                             |                                |
| Property and Other Local Taxes   | \$ 43,272                      |                             | \$ 43,272                      |
| Library and Local Government Support   | 716,045                        |                             | 716,045                        |
| Intergovernmental  | 4,903                          |                             | 4,903                          |
| Patron Fines and Fees  | 28,629                         |                             | 28,629                         |
| Contributions, Gifts and Donations   | 8,540                          | \$ 47,070                   | 55,610                         |
| Earnings on Investments  | 18,302                         | 8,149                       | 26,451                         |
| Miscellaneous Receipts   | 2,520                          |                             | 2,520                          |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Total Cash Receipts  | 822,211                        | 55,219                      | 877,430                        |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| <b>Cash Disbursements</b>  |                                |                             |                                |
| Current:   |                                |                             |                                |
| Salaries   | 464,903                        |                             | 464,903                        |
| Employees Fringe Benefits  | 124,531                        |                             | 124,531                        |
| Purchased and Contracted Services  | 135,947                        | 7,012                       | 142,959                        |
| Library Materials and Information  | 127,844                        |                             | 127,844                        |
| Supplies   | 20,883                         | 1,480                       | 22,363                         |
| Other  | 9,610                          |                             | 9,610                          |
| Capital Outlay   | 13,721                         | 62,205                      | 75,926                         |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Total Cash Disbursements   | 897,439                        | 70,697                      | 968,136                        |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Total Cash Receipts Over/(Under) Cash Disbursements  | (75,228)                       | (15,478)                    | (90,706)                       |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| <b>Other Financing Receipts/(Disbursements)</b>  |                                |                             |                                |
| Transfers-In   |                                | 44,753                      | 44,753                         |
| Transfers-Out  | (44,753)                       |                             | (44,753)                       |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Total Other Financing Receipts/(Disbursements)   | (44,753)                       | 44,753                      |                                |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (119,981)                      | 29,275                      | (90,706)                       |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Fund Cash Balances, January 1  | 239,867                        | 342,796                     | 582,663                        |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| <b>Fund Cash Balances, December 31</b>   | <b>\$ 119,886</b>              | <b>\$ 372,071</b>           | <b>\$ 491,957</b>              |
|  | <hr/>                          | <hr/>                       | <hr/>                          |
| Reserves for Encumbrances, December 31   | \$ 36,531                      | \$ 67                       | \$ 36,598                      |
|  | <hr/>                          | <hr/>                       | <hr/>                          |

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

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Norwalk Public Library, Huron 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 the Norwalk City School District 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 are valued at cost. U.S. savings bonds and common stock are valued at fair value when donated.

**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:

**NORWALK PUBLIC LIBRARY  
HURON 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. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of principal and interest on the mortgage on the adjacent building purchased in 2003 for future expansion.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant capital project funds:

Automation Reserve Fund - This fund received proceeds from contributions, gifts, and donations and operating transfers from the General Fund. The proceeds are being used to acquire and maintain automated cataloging equipment and computer systems.

Major Repair Fund - This fund accounts for monies that are not needed in the General Fund and are put aside for future repairs of the Library's building.

Building Fund - This fund accounts for the monies that are not needed in the General Fund and are put aside for the construction or acquisition of new buildings.

**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 2002 budgetary activity appears in Note 3.

**NORWALK PUBLIC LIBRARY  
HURON 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                | \$ 186,888 | \$ 127,521 |
| Certificates of deposit        | 79,952     | 353,101    |
| Total deposits                 | 266,840    | 480,622    |
| U.S. savings bonds             | 688        | 688        |
| Common stock                   | 10,647     | 10,647     |
| Total investments              | 11,335     | 11,335     |
| Total deposits and investments | \$ 278,175 | \$ 491,957 |

**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, or (3) collateralized by the financial institution's public entity deposit pool.

**Investments:** The common stock and savings bonds are evidenced by securities that exist in physical form in the Library's possession.

**NORWALK PUBLIC LIBRARY  
HURON 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 2002 follows:

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$ 1,179,606               | \$ 1,061,597              | \$ 118,009 |
| Debt Service  | 14,652                     | 14,652                    |            |
| Capital Projects                                      | 380,071                    | 279,090                   | 100,981    |
| Total   | \$ 1,574,329               | \$ 1,355,339              | \$ 218,990 |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |            |
|---|----------------------------|---------------------------|------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
| General   | \$ 1,106,969               | \$ 978,723                | \$ 128,246 |
| Capital Projects                                      | 427,060                    | 70,764                    | 356,296    |
| Total   | \$ 1,534,029               | \$ 1,049,487              | \$ 484,542 |

**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 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

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

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

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. DEBT**

Debt outstanding at December 31, 2003 was as follows:

|  | Principal  | Interest Rate |
|--|------------|---------------|
| Mortgage for Purchase of Adjacent Building | \$ 127,037 | 2.75%         |

The Library obtained a ten year mortgage for the purchase of the adjacent building for future expansion on June 30, 2003. The mortgage will be repaid in annual installments through the year 2012. The interest rate on the loan is variable, 1.25 percent below the prime rate. The mortgage is secured by the building acquired with the proceeds.

Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | General<br>Obligation Bonds |
|--------------------------|-----------------------------|
| 2004                     | \$ 16,449                   |
| 2005                     | 16,449                      |
| 2006                     | 16,449                      |
| 2007                     | 16,449                      |
| 2008                     | 16,449                      |
| 2009 - 2012              | 61,300                      |
| Total                    | \$ 143,545                  |

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

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

**6. 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. The Library has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Property;
- Equipment breakdown;
- Inland marine;
- General and umbrella liability;
- Employee benefits liability;
- Employers stop gap liability;
- Automobile;
- Terrorism and umbrella terrorism;
- Boiler; and
- Errors and omissions.

**Health Insurance**

The Library provides health and life insurance for its employees through private insurance carriers.



**Auditor of State  
Betty Montgomery**

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

Norwalk Public Library  
Huron County  
46 West Main Street  
Norwalk, Ohio 44857-1471

To the Board of Trustees:

We have audited the accompanying financial statements of the Norwalk Public Library, Huron County, (the Library) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 27, 2004 wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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.

**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 audits 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*.

### **Internal Control over Financial Reporting**

In planning and performing our audits, 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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated May 27, 2004.

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.



**Betty Montgomery**  
Auditor of State

May 27, 2004



**Auditor of State  
Betty Montgomery**

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**NORWALK PUBLIC LIBRARY**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 29, 2004**