



**Mary Taylor, CPA**  
Auditor of State



NORWALK PUBLIC LIBRARY  
HURON COUNTY

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Mary Taylor, CPA  
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 2, 2008

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# Mary Taylor, CPA

Auditor of State

## 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, 2007 and 2006. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Library processes its financial transactions with 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 audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Norwalk Public Library, Huron County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

October 2, 2008



**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, 2007**

	<u>All Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$147,928			\$147,928
Library and Local Government Support	714,579			714,579
Intergovernmental	25,088			25,088
Patron Fines and Fees	28,281			28,281
Contributions, Gifts and Donations	3,278		\$12,000	15,278
Earnings on Investments	12,484		1,566	14,050
Miscellaneous	31,941			31,941
	<u>963,579</u>		<u>13,566</u>	<u>977,145</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries	522,954			522,954
Employee Fringe Benefits	149,350			149,350
Purchased and Contractual Services	131,819		1,919	133,738
Library Materials and Information	81,492			81,492
Supplies	13,285		876	14,161
Other	4,856			4,856
Capital Outlay	5,801		22,454	28,255
Debt Service:				
Redemption of Principal		\$26,043		26,043
Interest and Other Fiscal Charges		3,261		3,261
	<u>909,557</u>	<u>29,304</u>	<u>25,249</u>	<u>964,110</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>54,022</u>	<u>(29,304)</u>	<u>(11,683)</u>	<u>13,035</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		29,304		29,304
Transfers-Out	(29,304)			(29,304)
	<u>(29,304)</u>	<u>29,304</u>		
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,718		(11,683)	13,035
Fund Cash Balances, January 1	69,643		159,974	229,617
<b>Fund Cash Balances, December 31</b>	<u><b>\$94,361</b></u>		<u><b>\$148,291</b></u>	<u><b>\$242,652</b></u>
Reserve for Encumbrances, December 31	<u>\$22,756</u>		<u>\$2,735</u>	<u>\$25,491</u>

*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, 2006**

	<u>All Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Debit Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$148,820			\$148,820
Library and Local Government Support	714,578			714,578
Intergovernmental	20,746			20,746
Patron Fines and Fees	31,086			31,086
Contributions, Gifts and Donations	83,040		\$19,500	102,540
Earnings on Investments	9,558		1,367	10,925
Miscellaneous	30,212			30,212
	<u>1,038,040</u>		<u>20,867</u>	<u>1,058,907</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries	520,034			520,034
Employee Fringe Benefits	141,674			141,674
Purchased and Contractual Services	172,623		27,567	200,190
Library Materials and Information	102,116			102,116
Supplies	18,063		750	18,813
Other	7,213			7,213
Capital Outlay	8,204		22,534	30,738
Debt Service:				
Redemption of Principal		\$25,414		25,414
Interest and Other Fiscal Charges		3,890		3,890
	<u>969,927</u>	<u>29,304</u>	<u>50,851</u>	<u>1,050,082</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>68,113</u>	<u>(29,304)</u>	<u>(29,984)</u>	<u>8,825</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In		29,304	70,000	99,304
Transfers-Out	(99,304)			(99,304)
	<u>(99,304)</u>	<u>29,304</u>	<u>70,000</u>	
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,191)		40,016	8,825
Fund Cash Balances, January 1	100,834		119,958	220,792
<b>Fund Cash Balances, December 31</b>	<u><b>\$69,643</b></u>		<u><b>\$159,974</b></u>	<u><b>\$229,617</b></u>
Reserve for Encumbrances, December 31	<u>\$15,671</u>		<u>\$888</u>	<u>\$16,559</u>

*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, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Norwalk Public Library, Huron County, (the Library) as a body corporate and politic. The Norwalk City School District Board of Education appoints a seven-member Board of Trustees to govern the Library. 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. Accounting Basis**

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

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

**C. Cash and Investments**

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

The Library values certificates of deposit at cost and U.S. savings bonds and common stock at fair market 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:

**1. General Fund**

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

**2. Debt Service Fund**

The debt service fund accounts for resources the Library accumulates to pay principal and interest on the mortgage on the adjacent building purchased in 2003 for future expansion.

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing 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 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 did not exceed appropriations at the fund, function, and object level of control.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	\$109,998	\$105,657
Certificates of deposit	121,319	112,625
Total deposits	231,317	218,282
U.S. Savings Bonds	688	688
Common Stock	10,647	10,647
Total investments	11,335	11,335
Total deposits and investments	\$242,652	\$229,617

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or 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. At December 31, 2007 and 2006, the Library held \$10,647 in equity securities. Such securities are ineligible investments for the Library under Ohio law. These securities were bequeathed to the Library and the Library has neither purchased nor sold the securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,023,577	\$963,579	(\$59,998)
Debt Service	29,304	29,304	
Capital Projects	500	13,566	13,066
Total	\$1,053,381	\$1,006,449	(\$46,932)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,093,109	\$961,617	\$131,492
Debt Service	29,304	29,304	
Capital Projects	160,475	27,984	132,491
Total	\$1,282,888	\$1,018,905	\$263,983

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY – (CONTINUED)**

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,033,230	\$1,038,040	\$4,810
Debt Service	29,304	29,304	
Capital Projects	70,500	90,867	20,367
Total	\$1,133,034	\$1,158,211	\$25,177

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,133,954	\$1,084,902	\$49,052
Debt Service	29,304	29,304	
Capital Projects	190,457	51,739	138,718
Total	\$1,353,715	\$1,165,945	\$187,770

**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 State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on 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 of any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

Property owners assess tangible personal property tax. These owners must file a list of tangible 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.

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Mortgage for Purchase of Adjacent Bldg	\$22,808	6%

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 Obligation Bonds
2008	\$8,302
2009	8,302
2010	8,302
2011	1,539
Total	\$26,445

**6. RETIREMENT SYSTEM**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Library contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Library has paid all contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Commercial Property;
- Commercial General Liability;
- Commercial Crime;
- Commercial Umbrella Excess Liability;
- Employers Liability;
- Electronic Data Processing;
- Commercial Articles;
- Valuable Papers

**NORWALK PUBLIC LIBRARY  
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**7. RISK MANAGEMENT – (CONTINUED)**

**Health Insurance**

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





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the Norwalk Public Library, Huron County (the Library) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 2, 2008, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Norwalk Public Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



**Mary Taylor, CPA**  
Auditor of State

October 2, 2008



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Auditor of State

**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  
NOVEMBER 6, 2008**