



**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

NAPOLEON PUBLIC LIBRARY
HENRY COUNTY

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Mary Taylor, CPA
Auditor of State

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

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

February 19, 2010

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Mary Taylor, CPA

Auditor of State

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 Napoleon Public Library, Henry County, (the Library) as of and for the years ended December 31, 2009 and 2008. 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. 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.

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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, 2009 and 2008 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, 2009 and 2008, 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 Napoleon Public Library, Henry County, as of December 31, 2009 and 2008, 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 February 19, 2010, 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

February 19, 2010

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	All Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	Private Purpose Trust Funds	
Cash Receipts:						
Property and Other Local Taxes	\$140,267					\$140,267
Library and Local Government Support	443,849					443,849
Intergovernmental	79,497					79,497
Patron Fines and Fees	14,276					14,276
Contributions, Gifts and Donations	14,173	\$39,122				53,295
Earnings on Investments	17,199			\$279	\$2,704	20,182
Miscellaneous	4,413					4,413
Total Cash Receipts	713,674	39,122		279	2,704	755,779
Cash Disbursements:						
Current:						
Salaries	440,433					440,433
Employee Fringe Benefits	131,850					131,850
Purchased and Contractual Services	79,798	2,717				82,515
Library Materials and Information	107,504			274		107,778
Supplies	12,375					12,375
Other	4,622				2,459	7,081
Capital Outlay	638	890	\$10,679			12,207
Total Cash Disbursements	777,220	3,607	10,679	274	2,459	794,239
Total Cash Receipts Over/(Under) Cash Disbursements	(63,546)	35,515	(10,679)	5	245	(38,460)
Fund Cash Balances, January 1	171,065	326,226	336,946	11,054	80,385	925,676
Fund Cash Balances, December 31	\$107,519	\$361,741	\$326,267	\$11,059	\$80,630	\$887,216
Reserve for Encumbrances, December 31	\$13,160				\$2,000	\$15,160

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	All Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	Private Purpose Trust Funds	
Cash Receipts:						
Property and Other Local Taxes	\$155,860					\$155,860
Library and Local Government Support	540,524					540,524
Intergovernmental	66,325					66,325
Patron Fines and Fees	14,175					14,175
Contributions, Gifts and Donations	3,269					3,269
Earnings on Investments	27,464			\$226	\$3,017	30,707
Miscellaneous	2,643					2,643
Total Cash Receipts	810,260			226	3,017	813,503
Cash Disbursements:						
Current:						
Salaries	430,128					430,128
Employee Fringe Benefits	147,187					147,187
Purchased and Contractual Services	90,371					90,371
Library Materials and Information	157,224			688		157,912
Supplies	18,647	\$3,128				21,775
Other	5,841				4,459	10,300
Capital Outlay	1,579		\$12,968			14,547
Total Cash Disbursements	850,977	3,128	12,968	688	4,459	872,220
Total Cash Receipts Over/(Under) Cash Disbursements	(40,717)	(3,128)	(12,968)	(462)	(1,442)	(58,717)
Other Financing Receipts / (Disbursements):						
Transfers-In			100,000			100,000
Transfers-Out	(100,000)					(100,000)
Total Other Financing Receipts / (Disbursements)	(100,000)		100,000			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,717)	(3,128)	87,032	(462)	(1,442)	(58,717)
Fund Cash Balances, January 1	311,782	329,354	249,914	11,516	81,827	984,393
Fund Cash Balances, December 31	\$171,065	\$326,226	\$336,946	\$11,054	\$80,385	\$925,676
Reserve for Encumbrances, December 31	\$25,752				\$542	\$26,294

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, 2009 AND 2008**

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 Napoleon Public Library, Henry County, (the Library) as a body corporate and politic. Napoleon 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. Deposits 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, repurchase agreements and sweep money market agreements at cost.

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. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

Memorial Endowment Fund – Revenue received are used for general operations building repairs, and improvements.

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

Building and Repair Fund – Revenue received are used for building repairs and improvement.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Library's programs. The Library had the following significant Permanent Funds:

Tyler Fund – This fund receives interest earnings. This fund is used for library materials and information.

Zahend Fund – This fund receives interest earnings. This fund is used for library materials and information.

5. Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs.

Myers Scholarship Fund – This fund accounts for interest earnings utilized for scholarships 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 2009 and 2008 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.

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2009	2008
Demand deposits	\$10,000	\$4,969
Certificates of deposit	479,831	574,413
Money market access account	254,764	103,255
Total deposits	744,595	682,637
Repurchase agreement	142,621	243,039
Total deposits and investments	\$887,216	\$925,676

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$771,000	\$713,674	(\$57,326)
Special Revenue		39,122	39,122
Permanent	376	279	(97)
Private Purpose Trust	2,500	2,704	204
Total	\$773,876	\$755,779	(\$18,097)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$949,752	\$790,380	\$159,372
Special Revenue	326,226	3,607	322,619
Capital Projects	336,946	10,679	326,267
Permanent	430	274	156
Private Purpose Trust	7,539	4,459	3,080
Total	\$1,620,893	\$809,399	\$811,494

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$828,000	\$810,260	(\$17,740)
Capital Projects		100,000	100,000
Permanent	382	226	(156)
Private Purpose Trust	3,500	3,017	(483)
Total	\$831,882	\$913,503	\$81,621

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,060,288	\$976,729	\$83,559
Special Revenue	329,354	3,128	326,226
Capital Projects	349,914	12,968	336,946
Permanent	898	688	210
Private Purpose Trust	9,981	5,001	4,980
Total	\$1,750,435	\$998,514	\$751,921

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.

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2009.

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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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 STANDARD**

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

To the Board of Trustees:

We have audited the financial statements of Napoleon Public Library, Henry County, (the Library) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 19, 2010, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated February 19, 2010.

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



Mary Taylor, CPA
Auditor of State

February 19, 2010

**NAPOLEON PUBLIC LIBRARY
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2009-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the fiscal officer and board of trustees and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Library's activity.

The 2009 and 2008 financial statements contained material errors, such as the following:

- Homestead and rollback exemption revenue was classified as tax revenue instead of intergovernmental revenue in the amount of \$18,330 for 2009 and \$18,248 for 2008.
- Commercial activities tax revenue was classified as tax revenue instead of intergovernmental revenue in the amount of \$61,167 for 2009 and \$48,077 for 2008.

Four adjusting entries were posted to the financial statements to correct these errors.

To ensure the Library's financial statements and notes to the statements are complete and accurate, the Board of Trustees should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

Officials' Response

We did not receive a response from Officials to this finding.



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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
MARCH 11, 2010