



**MARION SCHOOL DISTRICT LIBRARY
MARION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Marion School District Library
Marion County
445 East Church Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the accompanying financial statements of the Marion School District Library, Marion County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards 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 of the Library 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, 1999 and December 31, 1998, 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 February 4, 2000, 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.

This report is intended solely for the information and use of management, the 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.

JIM PETRO
Auditor of State

February 4, 2000

**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, 1999**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants in Aid	\$2,417,098	\$0	\$0	\$2,417,098
Patron Fines and Fees	96,745	0	0	96,745
Earnings on Investments	107,969	0	23,282	131,251
Contributions, Gifts and Donations	2,112	0	0	2,112
Miscellaneous Receipts	2,022	0	0	2,022
Total Cash Receipts	<u>2,625,946</u>	<u>0</u>	<u>23,282</u>	<u>2,649,228</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,094,475	0	0	1,094,475
Supplies	41,382	0	0	41,382
Purchased and Contracted Services	244,412	0	0	244,412
Library Materials and Information	460,921	0	0	460,921
Other Objects	13,839	0	0	13,839
Capital Outlay	170,864	0	0	170,864
Total Cash Disbursements	<u>2,025,893</u>	<u>0</u>	<u>0</u>	<u>2,025,893</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>600,053</u>	<u>0</u>	<u>23,282</u>	<u>623,335</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	0	400,000	0	400,000
Transfers-Out	(400,000)	0	0	(400,000)
Total Other Financing Receipts/(Disbursements)	<u>(400,000)</u>	<u>400,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>200,053</u>	<u>400,000</u>	<u>23,282</u>	<u>623,335</u>
Fund Cash Balances, January 1	<u>1,512,938</u>	<u>0</u>	<u>535,184</u>	<u>2,048,122</u>
Fund Cash Balances, December 31	<u><u>\$1,712,991</u></u>	<u><u>\$400,000</u></u>	<u><u>\$558,466</u></u>	<u><u>\$2,671,457</u></u>
Reserves for Encumbrances, December 31	<u><u>\$230,539</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$230,539</u></u>

The notes to the financial statements are an integral part of this statement.

**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, 1998**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants in Aid	\$2,212,072	\$0	\$0	\$2,212,072
Patron Fines and Fees	103,974	0	0	103,974
Earnings on Investments	56,111	0	27,890	84,001
Contributions, Gifts and Donations	1,029	0	0	1,029
Miscellaneous Receipts	7,616	0	0	7,616
	<u>2,380,802</u>	<u>0</u>	<u>27,890</u>	<u>2,408,692</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	1,027,910	0	0	1,027,910
Supplies	33,976	0	0	33,976
Purchased and Contracted Services	248,216	0	250	248,466
Library Materials and Information	329,774	0	0	329,774
Other Objects	11,745	0	0	11,745
Capital Outlay	60,562	29,834	0	90,396
	<u>1,712,183</u>	<u>29,834</u>	<u>250</u>	<u>1,742,267</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>668,619</u>	<u>(29,834)</u>	<u>27,640</u>	<u>666,425</u>
Fund Cash Balances, January 1	<u>844,319</u>	<u>29,834</u>	<u>507,544</u>	<u>1,381,697</u>
Fund Cash Balances, December 31	<u>\$1,512,938</u>	<u>\$0</u>	<u>\$535,184</u>	<u>\$2,048,122</u>
Reserves for Encumbrances, December 31	<u>\$158,278</u>	<u>\$0</u>	<u>\$0</u>	<u>\$158,278</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Operating Cash Receipts:	
Earnings on Investment	\$0
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Current:	
Library Materials and Information	1,331
Total Operating Cash Disbursements	1,331
Operating Income/(Loss)	(1,331)
Fund Cash Balances, January 1	1,331
Fund Cash Balances, December 31	\$0

The notes to the financial statements are an integral part of this statement.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Marion School District Library, Marion 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 the State of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Marion City School District. The Library provides the community with various educational and literary resources.

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

B. 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. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Securities held by the Library in the Young Trust fund are the foundation of a bequest executed in 1954. These securities are carried at the fair market value of the bequest on the date it was executed by the court system. These securities have not been sold, traded, or reinvested.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. 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 fund:

Library Building Fund - Fund balance and investment monies are set aside and used for significant building projects .

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. The Library had the following significant fiduciary fund:

Young Estate Fund - This fund was a bequest of stocks whose interest and principle are for the benefit of the children's department for the purchase of books and reference materials.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$111,833	\$293,410
Certificates of deposit	<u>1,875,000</u>	<u>1,100,000</u>
Total deposits	<u>1,986,833</u>	<u>1,393,410</u>
STAR Ohio	644,704	614,792
Securities (Stocks)	<u>39,920</u>	<u>39,920</u>
Total investments	<u>684,624</u>	<u>654,712</u>
Total deposits and investments	<u><u>\$2,671,457</u></u>	<u><u>\$2,048,122</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. Securities held by the Library in the Young Trust Fund are the foundation of a bequest executed in 1954. The securities are carried at the fair market value of the bequest on the date it was executed by the court system. The securities have not been sold, traded, or reinvested. The market value of these securities approximates \$177,034.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follow:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,440,157	\$2,625,946	\$185,789
Capital Projects	0	400,000	400,000
Fiduciary	<u>30,169</u>	<u>23,282</u>	<u>(6,887)</u>
Total	<u><u>\$2,470,326</u></u>	<u><u>\$3,049,228</u></u>	<u><u>\$578,902</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,808,378	\$2,656,432	\$1,151,946

1998 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,061,657	\$2,380,802	\$319,145
Fiduciary	12,500	27,890	15,390
Total	<u>\$2,074,157</u>	<u>\$2,408,692</u>	<u>\$334,535</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,905,976	\$1,870,461	\$1,035,515
Capital Projects	29,834	29,834	0
Fiduciary	1,331	1,581	(250)
Total	<u>\$2,937,141</u>	<u>\$1,901,876</u>	<u>\$1,035,265</u>

4. GRANTS-IN-AID

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 on account of any additional revenues realized by the Library.

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

7. YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Library's operations.

As of February 4, 2000, the Marion School District Library has inventoried its mission-critical computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting Library operations. Based on this inventory, the Library determined that no further remediation or system testing was required.

To the best of management's knowledge and belief, as of February 4, 2000, the Library experienced no significant interruption of mission-critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the Library does business may also experience Year 2000 readiness issues that are as yet, unknown.

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

Marion School District Library
Marion County
445 East Church Street
Marion, Ohio 43302

To the Board of Trustees:

We have audited the financial statements of the Marion School District Library, Marion County, Ohio (the Library), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated February 4, 2000. We conducted our audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated February 4, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

February 4, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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MARION SCHOOL DISTRICT PUBLIC LIBRARY

MARION 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 7, 2000**