



**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX 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

Public Library of Mount Vernon and Knox County
Knox County
201 N. Mulberry Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of the Public Library of Mount Vernon and Knox County, Knox 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 audits.

We conducted our audits 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 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. 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 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 March 7, 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, 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

March 7, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:					
Other Government Grants In Aid	\$1,568,599	\$0	\$0	\$0	\$1,568,599
General Property Taxes	173,508	325,774	0	0	499,282
Patron Fines and Fees	34,550	0	0	0	34,550
Earnings on Investments	39,652	0	0	0	39,652
Contributions, Gifts and Donations	0	0	0	1,035	1,035
Miscellaneous Receipts	23,512	0	0	0	23,512
Total Cash Receipts	1,839,821	325,774	0	1,035	2,166,630
Cash Disbursements:					
Current:					
Salaries and Benefits	1,069,572	0	0	0	1,069,572
Supplies	49,067	0	0	0	49,067
Purchased and Contracted Services	178,949	6,813	0	0	185,762
Library Materials and Information	299,528	0	0	10,655	310,183
Other Objects	4,986	0	0	0	4,986
Debt Service:					
Redemption of Principal	0	100,000	0	0	100,000
Interest Payments	0	141,048	0	0	141,048
Capital Outlay	70,843	0	49,593	0	120,436
Total Cash Disbursements	1,672,945	247,861	49,593	10,655	1,981,054
Total Cash Receipts Over/(Under) Cash Disbursements	166,876	77,913	(49,593)	(9,620)	185,576
Other Financing Receipts/(Disbursements):					
Transfers-In	0	0	221,365	0	221,365
Transfers-Out	(221,365)	0	0	0	(221,365)
Total Other Financing Receipts/(Disbursements)	(221,365)	0	221,365	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(54,489)	77,913	171,772	(9,620)	185,576
Fund Cash Balances, January 1, 1999	354,008	167,096	58,466	31,875	611,445
Fund Cash Balances, December 31, 1999	\$299,519	\$245,009	\$230,238	\$22,255	\$797,021

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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:					
Other Government Grants In Aid	\$1,414,770	\$0	\$0	\$0	\$1,414,770
General Property Taxes	170,696	319,542	0	0	490,238
Patron Fines and Fees	61,102	0	0	0	61,102
Earnings on Investments	31,578	0	0	0	31,578
Contributions, Gifts and Donations		0	0	20,883	20,883
Miscellaneous Receipts	10,125	0	50,000	0	60,125
Total Cash Receipts	1,688,271	319,542	50,000	20,883	2,078,696
Cash Disbursements:					
Current:					
Salaries and Benefits	997,573	0	0	0	997,573
Supplies	36,187	0	0	0	36,187
Purchased and Contracted Services	206,724	6,717	0	0	213,441
Library Materials and Information	262,522	0	0	9,054	271,576
Other Objects	5,011	0	0	0	5,011
Debt Service:					
Redemption of Principal	0	90,000	0	0	90,000
Interest Payments	0	147,033	0	0	147,033
Capital Outlay	60,645	0	5,015	0	65,660
Total Cash Disbursements	1,568,662	243,750	5,015	9,054	1,826,481
Total Cash Receipts Over/(Under) Cash Disbursements	119,609	75,792	44,985	11,829	252,215
Other Financing Receipts/(Disbursements):					
Transfers-In	0	13,907	0	0	13,907
Transfers-Out	(13,907)	0	0	0	(13,907)
Total Other Financing Receipts/(Disbursements)	(13,907)	13,907	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	105,702	89,699	44,985	11,829	252,215
Fund Cash Balances, January 1, 1998	248,306	77,397	13,481	20,046	359,230
Fund Cash Balances, December 31, 1998	\$354,008	\$167,096	\$58,466	\$31,875	\$611,445

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Public Library of Mount Vernon and Knox County, Knox 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 County Commissioners and the Common Pleas Court. 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, except employee deferred compensation funds maintained by outside custodians are not included in these financial statements. These assets are described in Note number 8 to the financial statements.

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. 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.

2. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness.

3. Capital Project Fund

This Fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

4. Fiduciary Funds (Trust and Agency 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 non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant Fiduciary Funds:

Endowment - This expendable trust fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the library.

Special Book Fund - This expendable trust fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the library.

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 and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriations measure.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made.

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.

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.

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

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	<u>\$797,021</u>	<u>\$611,445</u>

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,761,410	\$1,839,821	\$78,411
Debt Service	315,000	325,774	10,774
Capital Projects	221,365	221,365	0
Fiduciary	11,485	1,035	(10,450)
Total	<u>\$2,309,260</u>	<u>\$2,387,995</u>	<u>\$78,735</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,102,548	\$1,894,310	\$208,238
Debt Service	252,798	247,861	4,937
Capital Projects	279,830	49,593	230,237
Fiduciary	32,860	10,655	22,205
Total	<u>\$2,668,036</u>	<u>\$2,202,419</u>	<u>\$465,617</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,515,310	\$1,688,271	\$172,961
Debt Service	298,000	333,449	35,449
Capital Projects	50,000	50,000	0
Fiduciary	17,800	20,883	3,083
Total	<u>\$1,881,110</u>	<u>\$2,092,603</u>	<u>\$211,493</u>

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

3. BUDGETARY ACTIVITY (continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,716,275	\$1,582,569	\$133,706
Debt Service	250,783	243,750	7,033
Capital Projects	63,480	5,015	58,465
Fiduciary	39,311	9,054	30,257
Total	\$2,069,849	\$1,840,388	\$229,461

4. 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 on account of any additional revenues realized by the Library.

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 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, 1999 was as follows:

	Principle	Interest Rate
Library Improvement Bonds	\$1,895,000	6.99%

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

5. DEBT (continued)

Library Improvement Bonds were issued in 1989 in the amount of \$2,600,000. The bonds will be repaid in annual installments, including interest over 22 years.

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

<u>Year ending December 31:</u>	<u>Library Improvement Bonds</u>
1999	\$238,598
2000	236,195
2001	238,440
2002	234,980
2003	236,168
Subsequent	<u>1,699,735</u>
Total	<u><u>\$2,884,116</u></u>

6. 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.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

8. CUSTODIANS OF OTHER LIBRARY ASSETS

The following funds are maintained by custodians, as legally required. These assets, and related receipts and disbursements, are not reflected in the accompanying financial statements.

Certain employees may elect to participate in the Ohio Deferred Compensation Program (the Program). Amounts withheld from these employees are tax deferred, and are invested by the Program, as directed by the employees. At December 31, 1999, the Program held \$330,217 in deferred compensation assets in trust for Library employees.

9. CITY LIBRARY BOARD

In 1985, the Board of Trustees of the Public Library of the City of Mount Vernon (the "City Board") agreed, by contract, to transfer ownership of buildings, books, equipment and facilities to the Board of Trustees of the Public Library of Mount Vernon and Knox County. In return, the Board of Trustees of the Public Library of Mount Vernon and Knox County agreed to continue to operate the public library for residents of Knox County in accordance with Sections 3375.19 through 3375.27, inclusive, of the Ohio Revised Code. The contract between the two party's shall renew automatically every five years, unless written objection is made by either party.

The City Board continues to operate in a trustee capacity for endowments received for the Library over the years and is governed by a Board appointed by the Mayor of the City of Mount Vernon. As a part of he contract noted above, the income from the endowment investments are periodically paid to the Public Library of Mount Vernon and Knox County to aid in maintaining the Library as it is known today. Investment balances held and managed by the City Board are not included in the financial statements of the Public Library of Mount Vernon and Knox County.

Investment balances held and managed by the City Board at December 31, 1999 and December 31, 1998 was as follows:

1999 Investment Balances	
<u>Investments</u>	<u>Balance (Cost)</u>
U.S. Treasury Notes	\$150,569
Federal Home Loan Mortgage Corporation	39,835
Federal Home Loan Bank	24,269
Federal National Mortgage Association	25,234
Demand Deposits	<u>13,305</u>
<u>Total</u>	<u>\$253,212</u>

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

9. CITY LIBRARY BOARD (continued)

1998 Investment Balances

<u>Investments</u>	<u>Balance (Cost)</u>
U.S. Treasury Notes	\$224,431
Demand Deposits	<u>17,553</u>
<u>Total</u>	<u>241,984</u>

In addition, income from the investments distributed to the Public Library of Mount Vernon and Knox County during 1998 was \$11,397. No income was distributed to the Library in 1999.

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

Public Library of Mount Vernon and Knox County
Knox County
201 N. Mulberry Street
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of the Public Library of Mount Vernon and Knox County, Knox 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 March 7, 2000. We conducted our audits 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 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. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated March 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 a 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 March 7, 2000.

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

March 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY

KNOX 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
APRIL 11, 2000**