



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Public Library of Mount Vernon and Knox County
Knox County
201 North 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, 2001 and December 31, 2000. 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 *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 accounting principles generally accepted in the United States of America.

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, 2001 and December 31, 2000, 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 July 19, 2002 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

July 19, 2002

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$ 163,016	\$ 345,463	\$ -	\$ -	\$ 508,479
Other Government Grants-In-Aid	1,756,952	37,137	-	-	1,794,089
Patron Fines and Fees	40,933	-	-	-	40,933
Earnings on Investments	52,378	-	-	-	52,378
Contributions, Gifts and Donations	-	-	-	3,366	3,366
Miscellaneous Receipts	12,192	-	-	-	12,192
Total Cash Receipts	2,025,471	382,600	-	3,366	2,411,437
Cash Disbursements:					
Current:					
Salaries and Benefits	1,308,521	-	-	-	1,308,521
Supplies	55,289	-	-	-	55,289
Purchased and Contracted Services	204,111	7,515	-	-	211,626
Library Materials and Information	353,669	-	-	1,502	355,171
Other Objects	6,040	-	-	-	6,040
Debt Service:					
Redemption of Principal	-	150,000	-	-	150,000
Interest Payments and Other Financing Fees and Costs	-	83,630	-	-	83,630
Capital Outlay	12,055	-	32,209	-	44,264
Total Cash Disbursements	1,939,685	241,145	32,209	1,502	2,214,541
Total Cash Receipts Over/(Under) Cash Disbursements	85,786	141,455	(32,209)	1,864	196,896
Other Financing Receipts/(Disbursements):					
Transfers-In	-	-	68,754	-	68,754
Transfers-Out	(68,754)	-	-	-	(68,754)
Total Other Financing Receipts/(Disbursements)	(68,754)	-	68,754	-	-
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,032	141,455	36,545	1,864	196,896
Fund Cash Balances, January 1, 2001	325,322	355,892	324,644	21,807	1,027,665
Fund Cash Balances, December 31, 2001	\$ 342,354	\$ 497,347	\$ 361,189	\$ 23,671	\$ 1,224,561

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

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:					
Property and Other Local Taxes	\$ 164,775	\$ 345,565	\$ -	\$ -	\$ 510,340
Other Government Grants-In-Aid	1,710,830	35,840	-	-	1,746,670
Patron Fines and Fees	32,675	-	-	-	32,675
Earnings on Investments	67,038	-	-	-	67,038
Contributions, Gifts and Donations	-	-	-	3,601	3,601
Miscellaneous Receipts	13,476	-	-	-	13,476
Total Cash Receipts	1,988,794	381,405	-	3,601	2,373,800
Cash Disbursements:					
Current:					
Salaries and Benefits	1,156,257	-	-	-	1,156,257
Supplies	46,606	-	-	-	46,606
Purchased and Contracted Services	197,529	7,608	-	-	205,137
Library Materials and Information	358,709	-	-	4,049	362,758
Other Objects	5,045	-	-	-	5,045
Debt Service:					
Redemption of Principal	-	1,995,000	-	-	1,995,000
Interest Payments and Other Financing Fees and Costs	-	173,822	-	-	173,822
Capital Outlay	48,689	-	55,750	-	104,439
Total Cash Disbursements	1,812,835	2,176,430	55,750	4,049	4,049,064
Total Cash Receipts Over/(Under) Cash Disbursements	175,959	(1,795,025)	(55,750)	(448)	(1,675,264)
Other Financing Receipts/(Disbursements):					
Proceeds of Bonds	-	1,865,000	-	-	1,865,000
Premium and Accrued Interest	-	40,908	-	-	40,908
Transfers-In	-	-	150,156	-	150,156
Transfers-Out	(150,156)	-	-	-	(150,156)
Total Other Financing Receipts/(Disbursements)	(150,156)	1,905,908	150,156	-	1,905,908
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	25,803	110,883	94,406	(448)	230,644
Fund Cash Balances, January 1, 2000	299,519	245,009	230,238	22,255	797,021
Fund Cash Balances, December 31, 2000	\$ 325,322	\$ 355,892	\$ 324,644	\$ 21,807	\$ 1,027,665

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

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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 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.

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 Funds

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness. The Library had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives tax money and is used to accumulate resources for the payment of bond indebtedness.

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following significant Capital Project Funds:

Building Improvements Fund – Money is transferred to this fund from the General Fund when building improvements are required.

Furniture and Equipment Fund – Money is transferred to this fund from the General Fund when the Library needs to purchase furniture or equipment.

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 nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant Expendable Trust 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.

D. Budgetary Process

The Ohio Administrative Code requires budgeting for each fund annually.

1. Appropriations

The Board must annually approve appropriation measures and subsequent amendments. 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.

2. Estimated Resources

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

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Encumbrances

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

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	<u>\$1,224,561</u>	<u>\$1,027,665</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.

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

See Note 3 for change in library budgetary requirements in 2001. Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,329,832	\$2,008,439	\$321,393
Debt Service	244,780	241,145	3,635
Capital Projects	393,396	32,209	361,187
Fiduciary	25,119	1,502	23,617
Total	\$2,993,127	\$2,283,295	\$709,832

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,822,418	\$1,988,794	\$166,376
Debt Service	2,235,808	2,287,313	51,505
Capital Projects	150,156	150,156	0
Fiduciary	13,491	3,601	(9,890)
Total	\$4,221,873	\$4,429,864	\$207,991

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,122,162	\$1,962,991	\$159,171
Debt Service	2,182,005	2,176,430	5,575
Capital Projects	380,392	55,750	324,642
Fiduciary	25,746	4,049	21,697
Total	\$4,710,305	\$4,199,220	\$511,085

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)

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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Library Improvement Bonds (series 2000)	<u>1,615,000</u>	4.70%

Series 1989 Library Improvement Bonds were defeased in 2000 through the issuance of the series 2000 bonds totaling \$1,865,000. The series 2000 bonds will be repaid in annual installments, including interest over the next 10 years.

Debt principal outstanding on the series 1989 bonds at December 31, 2001 was \$1,790,000. Assets accumulated to retire this debt are held by a trustee and are not included in these financial statements. At December 31, 2001, the trustee held assets that approximate the principal outstanding on the series 1989 bonds.

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

	<u>Library Improvement Bonds 2000</u>
Year ending December 31:	
2002	\$235,230
2003	232,630
2004	234,628
2005	236,053
2006	231,896
2007 – 2011	<u>1,071,020</u>
Total	<u>\$2,241,457</u>

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 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 for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Library has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Public Library of Mount Vernon and Knox County has obtained commercial insurance for the following risks:

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

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

8. 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 parties shall renew automatically every five years, unless a 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 the 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.

**PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. CITY LIBRARY BOARD (Continued)

Investment balances held and managed by the City Board at December 31, 2001 and December 31, 2000 follows:

2001 Investment Balances

<u>Investments</u>	<u>Balance (Cost)</u>
U.S. Treasury Notes	\$ 40,002
Federal Home Loan Mortgage Corporation	64,694
Federal Home Loan Bank	132,302
Federal National Mortgage Association	25,234
Demand Deposits	<u>25,461</u>
<u>Total</u>	<u>\$287,693</u>

2000 Investment Balances

<u>Investments</u>	<u>Balance (Cost)</u>
U.S. Treasury Notes	\$ 80,237
Federal Home Loan Mortgage Corporation	64,694
Federal Home Loan Bank	92,032
Federal National Mortgage Association	25,234
Demand Deposits	<u>7,880</u>
<u>Total</u>	<u>\$ 270,077</u>

No investment income was distributed to the Library in 2000 or 2001.

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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 North 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, 2001 and December 31, 2000, and have issued our report thereon dated July 19, 2002. 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 *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 the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

July 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PUBLIC LIBRARY OF MT. 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
AUGUST 15, 2002**