



**Auditor of State  
Betty Montgomery**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Expendable Trust Funds - For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2003, and December 31, 2002. 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 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, 2003, and December 31, 2002, 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 June 9, 2004, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

**Betty Montgomery**  
Auditor of State

June 9, 2004

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 FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$168,863	\$308,676	\$0	\$0	\$477,539
Other Government Grants-In-Aid	1,607,467	36,920	0	0	1,644,387
Patron Fines and Fees	48,259	0	0	0	48,259
Earnings on Investments	14,317	0	0	0	14,317
Contributions, Gifts and Donations	0	0	0	48,284	48,284
Miscellaneous Receipts	10,929	0	0	0	10,929
	<u>1,849,835</u>	<u>345,596</u>	<u>0</u>	<u>48,284</u>	<u>2,243,715</u>
<b>Total Cash Receipts</b>					
	<u>1,849,835</u>	<u>345,596</u>	<u>0</u>	<u>48,284</u>	<u>2,243,715</u>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,437,813	0	0	0	1,437,813
Purchased and Contracted Services	184,900	6,771	0	0	191,671
Supplies	35,330	0	0	0	35,330
Library Materials and Information	217,876	0	0	949	218,825
Other Objects	4,695	0	0	0	4,695
Debt Service:					
Redemption of Principal	0	165,000	0	0	165,000
Interest Payments and Other Financing Fees and Costs	0	68,480	0	0	68,480
Capital Outlay	0	0	38,825	0	38,825
	<u>1,880,614</u>	<u>240,251</u>	<u>38,825</u>	<u>949</u>	<u>2,160,639</u>
<b>Total Cash Disbursements</b>					
	<u>1,880,614</u>	<u>240,251</u>	<u>38,825</u>	<u>949</u>	<u>2,160,639</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	(30,779)	105,345	(38,825)	47,335	83,076
<b>Fund Cash Balances, January 1, 2003</b>	<u>169,472</u>	<u>557,839</u>	<u>199,593</u>	<u>5,391</u>	<u>932,295</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u><u>\$138,693</u></u>	<u><u>\$663,184</u></u>	<u><u>\$160,768</u></u>	<u><u>\$52,726</u></u>	<u><u>\$1,015,371</u></u>

*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 FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$160,086	\$269,924	\$0	\$0	\$430,010
Other Government Grants-In-Aid	1,623,492	32,746	0	0	1,656,238
Patron Fines and Fees	45,722	0	0	0	45,722
Earnings on Investments	22,453	0	0	0	22,453
Contributions, Gifts and Donations	0	0	0	1,904	1,904
Miscellaneous Receipts	11,955	0	0	0	11,955
<b>Total Cash Receipts</b>	<b>1,863,708</b>	<b>302,670</b>	<b>0</b>	<b>1,904</b>	<b>2,168,282</b>
<b>Cash Disbursements:</b>					
Current:					
Salaries and Benefits	1,375,325	0	0	0	1,375,325
Purchased and Contracted Services	215,711	6,098	0	0	221,809
Supplies	54,709	0	0	0	54,709
Library Materials and Information	308,680	0	0	20,184	328,864
Other Objects	5,614	0	0	0	5,614
Debt Service:					
Redemption of Principal	0	160,000	0	0	160,000
Interest Payments and Other Financing Fees and Costs	0	76,080	0	0	76,080
Capital Outlay	16,636	0	221,511	0	238,147
<b>Total Cash Disbursements</b>	<b>1,976,675</b>	<b>242,178</b>	<b>221,511</b>	<b>20,184</b>	<b>2,460,548</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(112,967)</b>	<b>60,492</b>	<b>(221,511)</b>	<b>(18,280)</b>	<b>(292,266)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In	0	0	59,915	0	59,915
Transfers-Out	(59,915)	0	0	0	(59,915)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(59,915)</b>	<b>0</b>	<b>59,915</b>	<b>0</b>	<b>0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(172,882)</b>	<b>60,492</b>	<b>(161,596)</b>	<b>(18,280)</b>	<b>(292,266)</b>
<b>Fund Cash Balances, January 1, 2002</b>	<b>342,354</b>	<b>497,347</b>	<b>361,189</b>	<b>23,671</b>	<b>1,224,561</b>
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$169,472</b>	<b>\$557,839</b>	<b>\$199,593</b>	<b>\$5,391</b>	<b>\$932,295</b>

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Public Library of Mount Vernon and Knox County, Knox County, Ohio, (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 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. 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. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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 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, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Projects 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 enterprise or trust funds). The Library had the following significant Capital Projects Fund:

*Capital Improvements Fund*—Money is transferred to the fund from the General Fund when building improvements are required or the Library needs to purchase furniture or equipment.

**4. 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 Expendable Trust Funds:

*Endowment Fund*—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 Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

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 2003 and 2002 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. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**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 and investments at December 31 follows:

	2003	2002
Demand deposits	\$515,371	\$932,295
Certificates of deposit	500,000	0
Total deposits and investments	\$1,015,371	\$932,295

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,186,173	\$1,880,614	\$305,559
Debt Service	245,130	240,251	4,879
Capital Projects	199,590	38,825	160,765
Fiduciary	51,835	949	50,886
Total	\$2,682,728	\$2,160,639	\$522,089

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,364,508	\$2,036,590	\$327,918
Debt Service	247,730	242,178	5,552
Capital Projects	421,102	221,511	199,591
Fiduciary	24,519	20,184	4,335
Total	\$3,057,859	\$2,520,463	\$537,396

**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 of any additional revenues the Library receives.

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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 payments, the first half is due December 31. The second half payment is due the following June 20.

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, 2003 was as follows:

	Principal	Interest Rate
Library Improvement Bonds	\$1,290,000	4.9%-5.15%

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 eight years.

Debt principal outstanding on the series 1989 bonds at December 31, 2003 was \$1,435,000. Assets accumulated to retire this debt are held by the trustee and are not included in these financial statements. At December 31, 2003, 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:

	Library Improvement Bonds 2000
Year ending December 31:	
2004	\$234,628
2005	236,053
2006	231,896
2007	232,395
2008	237,295
2009-2011	601,330
Total	\$1,773,597

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS 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 2002 and 2003. The Library has paid all contributions required through December 31, 2003.

**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
- Electronic Data Processing
- Director & Officer Liability

**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, 2003 AND 2002  
(Continued)**

**8. CITY LIBRARY BOARD (Continued)**

Investment balances held and managed by the City Board at December 31, 2003 and December 31, 2002 follows:

2003 Investment Balances

<u>Investments</u>	<u>Balance (Cost)</u>
Washington Mutual Investors Shares	\$ 40,000
Federal Home Loan Mortgage Corporation	54,859
Federal Home Loan Bank	92,032
Federal National Mortgage Association	64,774
Demand Deposits	<u>27,210</u>
<u>Total</u>	<u>\$ 278,875</u>

2002 Investment Balances

<u>Investments</u>	<u>Balance (Cost)</u>
Federal Home Loan Mortgage Corporation	\$ 94,694
Federal Home Loan Bank	132,302
Federal National Mortgage Association	25,234
Demand Deposits	<u>53,821</u>
<u>Total</u>	<u>\$ 306,051</u>

The City Board distributed \$45,106 to the Library in 2003.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2003, and December 31, 2002, and have issued our report thereon dated June 9, 2004. 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.

Public Library of Mount Vernon and Knox County  
Knox County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 9, 2004



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JULY 27, 2004**