

MEDINA COUNTY DISTRICT LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 1999 AND 1998

MEDINA COUNTY DISTRICT LIBRARY

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OFFICE OF THE AUDITOR

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Board of Trustees
Medina County District Library
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We have reviewed the independent auditor's report of the Medina County District Library, prepared by Rea & Associates, Inc., for the audit period January 1, 1998 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Medina County District Library is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

June 14, 2000

April 27, 2000

To The Board of Trustees
Medina County District Library
Medina, Ohio 44256

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Medina County District Library, as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. 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 described in Note 1, the Library, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of The State of Ohio, 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 cash, investments, and combined fund cash balances of Medina County District Library, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2000 on our consideration of Medina County District Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

This report is intended solely for the information and use of management, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Columbus
New Philadelphia
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Cambridge
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Medina
Lima

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Medina County District Library

*Combined Statement of Cash, Investments, and Fund
Cash Balances - All Fund Types*

December 31, 1999 and 1998

	1999	1998
Cash	<u>\$ 4,168,372</u>	<u>\$ 3,181,858</u>
Total	<u>\$ 4,168,372</u>	<u>\$ 3,181,858</u>

Cash Balances by Fund Type

Governmental Fund Types:

General Fund	\$ 2,052,974	\$ 1,413,456
Special Revenue Fund	13,777	0
Capital Projects Fund	1,317,772	1,087,592

Fiduciary Fund Type:

Expendable Trust Fund	<u>783,849</u>	<u>680,810</u>
Total	<u>\$ 4,168,372</u>	<u>\$ 3,181,858</u>

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Receipts, Expenditures,
and Changes in Fund Balances*

For the Year Ended December 31, 1999

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
<u>Revenue</u>			
Taxes	\$ 5,841,879	\$ 0	\$ 0
Local Government Grants-In-Aid	0	14,060	0
Patron Fines and Fees	110,853	0	0
Earnings on Investments	128,327	0	44,617
Contributions, Gifts and Donations	8,939	0	0
Miscellaneous Revenue	18,695	0	0
Total Revenue Receipts	6,108,693	14,060	44,617
<u>Expenditure Disbursements</u>			
Salaries and Benefits	2,956,556	0	0
Supplies	94,175	0	0
Purchased and Contracted Services	906,593	283	14,437
Library Material and Information	1,055,490	0	0
Capital Outlay	230,190	0	0
Other Objects	26,171	0	0
Total Expenditures	5,269,175	283	14,437
Excess of Revenue Over Expenditures	839,518	13,777	30,180
<u>Other Financing Sources (Uses)</u>			
Operating Transfers-In	0	0	200,000
Operating Transfers-Out	(200,000)	0	0
Total Other Financing Sources (Uses)	(200,000)	0	200,000
Excess of Revenues and Other Sources Over Expenditures and Other Uses	639,518	13,777	230,180
Fund Balance, January 1, 1999	1,413,456	0	1,087,592
Fund Balance, December 31, 1999	\$ 2,052,974	\$ 13,777	\$ 1,317,772

Fiduciary Fund Type			
Expendable Trust Fund		Total (Memorandum Only)	
\$	0	\$	5,841,879
	0		14,060
	0		110,853
	30,808		203,752
	101,587		110,526
	2,458		21,153
	<u>134,853</u>		<u>6,302,223</u>
	0		2,956,556
	8,124		102,299
	8,343		929,656
	5,292		1,060,782
	10,055		240,245
	0		26,171
	<u>31,814</u>		<u>5,315,709</u>
	103,039		986,514
	0		200,000
	0		(200,000)
	0		0
	103,039		986,514
	<u>680,810</u>		<u>3,181,858</u>
\$	<u>783,849</u>	\$	<u>4,168,372</u>

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Receipts, Expenditures,
and Changes in Fund Balances*

For the Year Ended December 31, 1998

	Governmental Fund Type	
	General	Capital Projects
Revenue		
Taxes	\$ 5,381,294	\$ 0
Local Government Grants-In-Aid	15,000	0
Patron Fines and Fees	105,924	0
Earnings on Investments	90,282	49,361
Contributions, Gifts and Donations	3,286	0
Miscellaneous Revenue	38,236	240
Total Revenue Receipts	<u>5,634,022</u>	<u>49,601</u>
Expenditure Disbursements		
Salaries and Benefits	2,711,139	0
Supplies	102,389	0
Purchased and Contracted Services	892,829	0
Library Material and Information	986,653	0
Capital Outlay	204,554	48,379
Other Objects	13,690	0
Total Expenditures	<u>4,911,254</u>	<u>48,379</u>
Excess of Revenue Over Expenditures	722,768	1,222
Other Financing Sources (Uses)		
Operating Transfers-In	0	200,000
Operating Transfers-Out	(200,000)	0
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>200,000</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	522,768	201,222
Fund Balance, January 1, 1998	<u>890,688</u>	<u>886,370</u>
Fund Balance, December 31, 1998	<u>\$ 1,413,456</u>	<u>\$ 1,087,592</u>

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Fiduciary Fund Type		
Expendable	Trust	Total
Fund	Fund	(Memorandum Only)
\$	0	\$ 5,381,294
	0	15,000
	0	105,924
	30,903	170,546
	17,248	20,534
	1,379	39,855
	49,530	5,733,153
	0	2,711,139
	5,014	107,403
	7,853	900,682
	4,296	990,949
	653	253,586
	0	13,690
	17,816	4,977,449
	31,714	755,704
	0	200,000
	0	(200,000)
	0	0
	31,714	755,704
	649,096	2,426,154
\$	680,810	\$ 3,181,858

See accompanying notes to the financial statements.

Medina County District Library

Combined Statement of Receipts - Budget and Actual

For the Year Ended December 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Fund Types/Funds</u>			
Governmental			
General	\$ 5,818,350	\$ 6,108,693	\$ 290,343
Special Revenue	14,300	14,060	(240)
Capital Projects	42,500	244,617	202,117
Fiduciary			
Expendable Trust Fund	50,000	134,853	84,853
Total (Memorandum Only)	\$ 5,925,150	\$ 6,502,223	\$ 577,073

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Disbursements and Encumbrances
Compared with Expenditures Authority*

For the Year Ended December 31, 1999

	Prior Year Carryover Appropriations	1999 Appropriations	Total
<u>Fund Types/Funds</u>			
<u>Governmental</u>			
General	\$ 186,404	\$ 5,566,510	\$ 5,752,914
Special Revenue	0	14,060	14,060
Capital Projects	0	295,000	295,000
<u>Fiduciary</u>			
Expendable Trust Fund	971	46,500	47,471
Total (Memorandum Only)	\$ 187,375	\$ 5,922,070	\$ 6,109,445

Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Total	Variance Favorable (Unfavorable)
\$ 5,469,175	\$ 139,991	\$ 5,609,166	\$ 143,748
283	0	283	13,777
14,437	0	14,437	280,563
31,814	5,988	37,802	9,669
\$ 5,515,709	\$ 145,979	\$ 5,661,688	\$ 447,757

See accompanying notes to the financial statements.

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Medina County District Library

Combined Statement of Receipts - Budget and Actual

For the Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Fund Types/Funds</u>			
Governmental			
General	\$ 5,045,000	\$ 5,634,022	\$ 589,022
Capital Projects	30,000	249,601	219,601
Fiduciary			
Expendable Trust Fund	36,000	49,530	13,530
Total (Memorandum Only)	\$ 5,111,000	\$ 5,933,153	\$ 822,153

See accompanying notes to the financial statements.

Medina County District Library

*Combined Statement of Disbursements and Encumbrances
Compared with Expenditures Authority*

For the Year Ended December 31, 1998

	Prior Year Carryover Appropriations	1998 Appropriations	Total
<u>Fund Types/Funds</u>			
<u>Governmental</u>			
General	\$ 316,381	\$ 5,473,406	\$ 5,789,787
Capital Projects	43,132	359,306	402,438
<u>Fiduciary</u>			
Expendable Trust Fund	3,590	82,900	86,490
Total (Memorandum Only)	\$ 363,103	\$ 5,915,612	\$ 6,278,715

Actual 1998 Disbursements	Encumbrances Outstanding at 12/31/98	Total	Variance Favorable (Unfavorable)
\$ 5,111,254	\$ 186,404	\$ 5,297,658	\$ 492,129
48,379	0	48,379	354,059
17,816	971	18,787	67,703
<u>\$ 5,177,449</u>	<u>\$ 187,375</u>	<u>\$ 5,364,824</u>	<u>\$ 913,891</u>

See accompanying notes to the financial statements.

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MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Medina County District Library is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Medina County District Library is a Library as defined by Section 3375.19 of the Ohio Revised Code. The Library operates under a Board of Trustees (seven members). Four members are appointed by the Medina County Commissioners and three by the Medina County Common Pleas Judge. The members serve a seven year term.

Management believes the financial statements included in this report represent all of the funds of the Library over which the Library has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Library prepares its financial Statements on a basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Library under the basis of accounting used. By virtue of Ohio Law, the Library is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Library maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specific purposes.

Capital Projects Funds

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

FIDUCIARY FUND TYPE

Expendable Trust Fund

The Expendable Trust Fund is used to account for assets held by the Library in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements must be submitted to the taxing authority by May 31 of each year, for the following year. The budget is then submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the Library by October 1. As part of this certification, the Library receives the official certificate of estimated resources which states the projected receipts of each fund. Prior to December 31, the Library must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

amounts reported on the budgetary statement reflect the amount in the final amended official certificate of estimated resources issued for 1999 and 1998.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31, with the annual by December 31. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Library is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. ACCUMULATED UNPAID VACATION, PERSONAL LEAVE, AND SICK PAY

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 1999 and 1998, management estimates that \$100,800 and \$100,673 in vacation leave and \$376,322 and \$338,950 in sick leave has been accumulated by the employees of the Library, respectively. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 1999 and 1998.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total Columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

NOTE 2 POOLED CASH AND INVESTMENTS

State statutes classify monies held by the Library into three categories:

Active deposits are public deposits necessary to meet current demands on the Library. Such monies must be maintained either as cash in the bank, in commercial accounts payable, or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook savings.

Interim deposits are deposits of interim monies. Interim deposits are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be invested in the following obligations provided they matured or were redeemable within two years from the date of purchase.

1. United States treasury notes, bills, bonds, or other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the payment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3. "Deposits with Federal Institutions, Investments, and Reserve Repurchase Agreement".

Deposits. At December 31, 1999 and 1998, the carrying amount of the Library's deposits was \$(246,745) and \$(131,566), respectively, and the bank balance was \$47,099 and \$48,771 respectively. Of the bank balance:

1. \$47,099 and \$48,771 were covered by federal depository insurance at December 31, 1999 and 1998, respectively. The remaining balance was backed by collateral held by the bank or by collateral held by a qualified third party trustee in the name of the Library;

Investments. GASB Statement No. 3 "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the Library to categorize investments to give an indication of the level of risk assumed by the Library at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Library or its agent in the Library's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or its agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Library's name. The carrying value of deposits and investments are

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

For the Year Ended December 31, 1999

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$ 0	\$ 0	\$ 320,000	\$ 320,000	\$ 320,000
Star Ohio	0	0	0	4,095,117	4,095,117
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 320,000</u>	<u>\$ 4,415,117</u>	<u>\$ 4,415,117</u>

For the Year Ended December 31, 1998

	Category 1	Category 2	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$ 0	\$ 0	\$ 505,000	\$ 505,000	\$ 505,000
Star Ohio	0	0	0	2,808,424	2,808,424
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 505,000</u>	<u>\$ 3,313,424</u>	<u>\$ 3,313,424</u>

NOTE 3 PROPERTY TAX

Real Property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last triennial update was completed for tax year 1995.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax (calendar) years 1999 and 1998 was \$1.25 per \$1,000 of assessed valuation for both years. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$.806 and \$.848 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$.913 and \$.914 per \$1,000 of assessed valuation for all other real property for 1999 and 1998, respectively. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Library by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

percentages of cost. The tax rate applied to tangible property for the tax (calendar) years 1999 and 1998 was \$1.25 per \$1,000 of assessed valuation.

	<u>1999</u> <u>Valuation</u>	<u>1998</u> <u>Valuation</u>
Real Property		
Residential/Agricultural	\$ 1,770,347,690	\$ 1,629,781,080
Commercial/Industrial	306,799,640	294,499,580
Public Utilities	704,940	680,720
Minerals	1,197,020	1,262,740
Tangible Personal Property		
General	207,073,243	187,423,890
Public Utilities	<u>115,198,390</u>	<u>115,005,980</u>
Total Valuation	<u>\$ 2,401,320,923</u>	<u>\$ 2,228,653,990</u>

The Medina County Treasurer collects property tax on behalf of all taxing Libraries within the county. The Medina County Auditor periodically remits to the taxing Libraries their portion of the taxes collected.

NOTE 4 INSURANCE

The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

NOTE 5 RETIREMENT COMMITMENTS

Public Employees Retirement System

Public Employees Retirement System of Ohio is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees. The 1999 employer contribution rate to the system was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records.

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

NOTE 6 POST EMPLOYMENT HEALTH CARE BENEFITS

Public Employees Retirement System

In addition to providing pension benefits through Public Employee Retirement System of Ohio ("System"), the System provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

NOTE 7 LEASES

Effective July 1, 1995, the Medina County District Library entered into a noncancellable lease agreement with Medina County Publications, Inc. for an office building. The terms of the lease are for five years at \$3,035, per month, indexed yearly according to the "Consumer Price Index". The following is a schedule by years of future minimum rental payments required under the operating lease that has a remaining noncancellable lease term in excess of one year as of December 31, 1999:

Year Ending December 31,	
2000	\$ 19,904
	<u>\$ 19,904</u>

The total lease expense for the year ended December 31, 1999 and 1998 were \$34,575 and \$39,494, respectively.

MEDINA COUNTY DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

NOTE 8 SUBSEQUENT EVENTS

At the March 31, 2000 special board meeting, the District agreed to purchase approximately 5.2 acres of land located in Lodi, Ohio for \$170,000. The capital projects fund will purchase the land.

April 27, 2000

To The Board of Trustees
Medina County District Library
Medina, Ohio 44256

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Medina County District Library as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 27, 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 Medina County District 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 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 certain immaterial instances of noncompliance that we have reported to management of Medina County District Library in a separate letter dated April 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Medina County District 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, board of trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Columbus
New Philadelphia
Millersburg
Cushocton
Cambridge
Marietta
Medina
Lima



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MEDINA COUNTY DISTRICT LIBRARY

MEDINA 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.

By: Susan Babbitt

Date: JUNE 29, 2000