



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

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

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 governmental activities, each major fund, and the aggregate remaining fund information of the Public Library of Mount Vernon and Knox County, Knox County, Ohio (the Library), as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Public Library of Mount Vernon and Knox County, Knox County, Ohio, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Endowment Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 12, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The management's discussion and analysis of the Public Library of Mount Vernon and Knox County's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

Net assets decreased \$107,399, or 14.1 percent, a significant change from the prior year (though less than half the decrease realized from beginning to end of the previous year, 2008). The decrease was greatest in the Debt Service Fund (\$100,887 or 21.1 percent). There were also decreases in the Capital Projects Fund (\$21,013 or 20.35 percent), the Endowment Fund (\$3,110 or 3.9 percent) and Other Governmental Funds (\$646 or 5.9 percent). Only the General Fund increased by a modest but welcome \$18,258 or 20.6 percent, owing entirely to stringent economies imposed on spending. The decrease in the Debt Service Fund was the result of the fact that this fund is nearing the end of its pre-set life span, which was the period over which the Library's bonded indebtedness would be retired. A surplus had built up in this fund over a number of years, owing to tax revenues repeatedly in excess of expenditures, and it is now being allowed to dissipate as bond retirement expenditures outpace revenues for the last few years of the fund's existence.

The Library's General Fund revenues come primarily from the State of Ohio's Library and Local Government Support Fund (LLGSF), and a three-tenths mill local property tax levy. In 2009, these contributed, respectively, \$1,299,668, or 83.5 percent, and \$177,976 (including state rollback), or 11.4 percent, of the General Fund revenues. Total revenues in the General Fund of \$1,555,857 were down from the previous year by a very substantial \$304,408, or 16.4 percent, and were lower than any year since 1997. The decrease was due mostly to a sharp drop of \$281,932 (17.8 percent) in LLGSF revenues and other drops in interest income, operating levy receipts, patron fines and fees and miscellaneous revenues.

The Debt Service Fund's revenues come from a half-mill (County Auditor's original estimate) permanent improvement levy, which is scheduled to be collected (at reduced millage, owing to unanticipated surpluses in this fund) through 2011. The fund surplus is such that collection of this levy will be terminated slightly ahead of schedule. Revenues in the Debt Service Fund in 2009 were 26.2 percent higher than in 2008, a difference of \$27,844. This was surprising, since the County Auditor had imposed a reduction of the millage collected to curb the accumulation of additional surplus in this fund. The Library retired \$220,000.00 of its outstanding bonded indebtedness, leaving \$105,000 in principal on the outstanding bonds, which will be completely retired as of December 1, 2011.

Total General Fund expenditures of \$1,537,599 were substantially lower than the previous year (by \$393,545 or 20.4 percent), and were lower than any other year since 1997. General Fund expenditures for library materials (books, periodicals and audiovisual materials from the 4000s appropriations accounts) of \$27,296 were down by \$141,588 (83.83 percent) from 2008, but this was partly offset by higher than usual expenditures for these same types of materials from the Gifts & Memorials and Endowment funds (a total of \$33,604 or 55.17 percent all library materials expenditures). This drop was the result of stringent spending cuts imposed on the entire General Fund budget as a necessary response to the nationwide economic crisis that began in the fall of 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements that will allow the reader to understand the financial operations of the Public Library of Mount Vernon and Knox County as a single operating entity. It is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34), as applicable to the Library's cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. Per Ohio Auditor of State Bulletin 2005-002, the Library is not required to adopt a basis of accounting according to generally accepted accounting principles (GAAP), but is permitted to issue "GAAP Look-Alike" statements which substantially conform to the display and disclosure requirements of GASB 34. These "Look-Alike" statements are also referred to as "Other Comprehensive Basis of Accounting" (OCBOA). The Library has elected to use the "GAAP Look-Alike" statements. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The Statement of Net Assets—Cash Basis and the Statement of Activities—Cash Basis reflect how the Library did financially during 2009, within the limitations of cash basis accounting. The Statement of Net Assets—Cash Basis presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities—Cash Basis compares cash disbursements with program receipts for each governmental activity. Program receipts include charges paid by the recipient for the goods or services of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes can be considered as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, one should also consider other nonfinancial factors, as well, such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The Statement of Net Assets and the Statement of Activities discuss the Library's governmental activities:

Governmental Activities – The Library's basic services are reported here, including library services. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its various activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the Library's funds are governmental funds.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services they provide. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, the Debt Service Fund, the Capital Projects Fund and the Endowment Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on a cash basis:

| (Table 1) | | |
|---------------------------|--------------------------------|------------------|
| Net Assets | | |
| | <u>Governmental Activities</u> | |
| | <u>2009</u> | <u>2008</u> |
| Assets | | |
| Cash and Cash Equivalents | \$653,916 | \$761,314 |
| Total Assets | <u>653,916</u> | <u>761,314</u> |
| Net Assets | | |
| Restricted for: | | |
| Debt Service | 378,199 | 479,086 |
| Unrestricted | 275,717 | 282,228 |
| Total Net Assets | <u>\$653,916</u> | <u>\$761,314</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

As mentioned previously, net assets of governmental activities decreased \$107,398, or 14.1 percent during 2009. This overall figure encompasses the fact that assets varied in each fund by different proportions, with the General Fund increasing by 20.6 percent, the Debt Service Fund decreasing by 21 percent, and the Capital Projects Fund decreasing by 20.4 percent. The primary reasons contributing to the changes in cash balances are as follows:

- Tax revenues in the Debt Service Fund were \$100,887 less than disbursements.
- Total expenditures of \$21,816 from the Capital Projects Fund were offset by revenues of only \$803, which caused the fund to drop by 20.4 percent.
- Expenditures in the General Fund in 2009 fell below revenues by \$18,258, resulting in a corresponding increase in that fund's cash position. This was largely due to greatly lowered expenditures, as already mentioned, in response to the continuing severe economic downturn that began in the fall of 2008. The Library's financial condition must be regulated accordingly in the face of these kinds of overwhelming influences.

Table 2 reflects the changes in net assets in 2009 and 2008 and shows the percentage of variance in those changes between the two years. These figures are Library-wide (i.e., "government-wide," meaning all funds) and reflect only governmental activities, since there are no business-type activities to report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

**(Table 2)
Changes in Net Assets**

| | Governmental Activities 2009 | Governmental Activities 2008 |
|-----------------------------------|------------------------------------|------------------------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | 37,522 | 40,408 |
| Total Program Receipts | <u>37,522</u> | <u>40,408</u> |
| General Receipts: | | |
| Property Taxes Levied for: | | |
| General Purposes | 154,214 | 161,963 |
| Debt Service | 116,619 | 92,519 |
| Intergovernmental | 1,367,655 | 1,640,112 |
| Gifts & Contributions | 38,534 | 17,438 |
| Interest | 6,254 | 21,209 |
| Miscellaneous | 8,455 | 10,269 |
| Total General Receipts | <u>1,691,731</u> | <u>1,943,510</u> |
| Total Receipts | <u>1,729,253</u> | <u>1,983,918</u> |
| Disbursements: | | |
| General Library Services | 1,582,655 | 1,948,467 |
| Debt Service | 232,180 | 238,145 |
| Capital Outlay | 21,816 | 28,706 |
| Total Disbursements | <u>1,836,651</u> | <u>2,215,318</u> |
| Increase (Decrease) in Net Assets | (107,398) | (231,400) |
| Net Assets, January 1 | <u>761,314</u> | <u>992,714</u> |
| Net Assets, December 31 | <u><u>\$653,916</u></u> | <u><u>\$761,314</u></u> |

Of the Library's general receipts in 2009, \$1,299,668, or 76.8 percent, came from the LLGSF. \$270,833, or 16 percent, came from local property taxes, with another \$67,987, or 4 percent, coming from reimbursement of state rollback of property taxes and the Commercial Activities Tax. The remaining 3.2 percent is spread out over patron fines, coin-operated copier receipts, interest, gifts, contributions, endowment stipend and miscellaneous receipts.

Disbursements for General Library Services include all of the regular costs associated with running the Library and providing library materials and services to the general public through the main library, three branches and the Extension Services Department's delivery services to the elderly, homebound, handicapped, preschools, Knox County Jail and Knox Community Hospital. The associated costs include payroll, employer contributions to PERS and Medicare, health insurance, contributions to Workers Compensation and Unemployment Insurance, office supplies, maintenance and assorted other supplies, travel expenses, utilities, automation services, building and liability insurance, postage and freight costs, legal advertising, printing and publication fees, building and site repairs, maintenance contracts, computer hardware and software maintenance, consulting services, library materials (books, periodicals, audiovisual media, electronic data resources), furnishings and equipment, and organizational memberships, to name just a few.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Disbursements for Debt Service included retirement of principal on outstanding library building improvement bonds (\$220,000, or 93.6 percent of total Debt Service Fund disbursements), interest and fiscal charges on the bonds (\$12,180 or 5.2 percent), and tax collection fees (\$2,766, or 1.18 percent).

Capital outlay from the Capital Projects Fund is used for improvements to infrastructure. The most common expenditures from this fund include new computer equipment, shelving units and other furnishings, and new parts and repairs to the heating, ventilating and air conditioning systems (HVAC).

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is for Library Services, which account for 86.2 percent of all governmental disbursements. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for services received by the Library or contributions that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by unrestricted government grants-in-aid, LLGSF, or local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3:

(Table 3)
Governmental Activities

| | Total Cost of Services 2009 | Net Cost of Services 2009 | Total Cost of Services 2008 | Net Cost of Services 2008 |
|---------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Library Services | \$ 1,582,655 | \$ 1,545,134 | \$ 1,948,467 | \$ 1,908,059 |
| Capital Outlay | 21,816 | 21,816 | 28,706 | 28,706 |
| Debt Service: | | | | |
| Principal Retirement | 220,000 | 220,000 | 215,000 | 215,000 |
| Interest & Fiscal Charges | 12,180 | 12,180 | 23,145 | 23,145 |
| Total Expenses | \$ 1,836,651 | \$ 1,799,129 | \$ 2,215,318 | \$ 2,174,910 |

The dependence upon unrestricted grants-in-aid, LLGSF, and property tax receipts is apparent, as over 98 percent of governmental activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$1,729,253 and disbursements of \$1,836,651. The greatest change within governmental funds occurred within the Debt Service Fund, which decreased by a total of \$100,887. The next most significant change was an increase of \$18,258 in the General Fund. The increase in the General Fund is attributable mostly to very stringent cutting of expenditures. Expenditures were higher in only a few accounts and only by modest amounts. In the vast majority of General Fund accounts, expenditures were significantly decreased as compared to 2008. The aggregate of all General Fund expenditures was a decrease of \$393,545 or 20.4 percent from the previous year. Personnel costs decreased by 13.93 percent due to heavy cuts in staffing and hours of operation. Expenditures on library materials decreased in the General Fund by 83.84 percent. The fund balance of the Debt Service Fund decreased \$100,887 as the intentional result of a local property tax collection which fell below the total expenditures from the Debt Service Fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The Library Board of Trustees, the Director and the Clerk-Treasurer collaborate in monitoring revenues, disbursements and budgetary activities, anticipating budgetary and financial problems as far in advance as possible, and making the necessary adjustments to avoid shortfalls and deficit situations.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2009, the Library amended its General Fund budget several times to reflect changing circumstances. Final actual receipts fell below original budgeted receipts by \$189,581, the largest shortfall of actual receipts from anticipated revenues in anyone's memory. The shortfall would have been even higher—by \$179,000—had the Ohio Department of Taxation not revised its earlier estimate of PLF revenues substantially downward.

Final disbursements from the General Fund were budgeted at \$1,828,202 (a decrease of \$204,403, or 10.1 percent, from 2008) while actual disbursements were \$1,537,599. With receipts which were vastly lower than expected, it was only severe limiting of disbursements that resulted in the previously noted modest increase in the General Fund balance by the year's end.

Debt Administration

Debt

At December 31, 2009, the Library's outstanding debt was \$105,000 in general obligation bonds issued for improvements to buildings and structures. For further information regarding the Library's debt, refer to Note 10 to the basic financial statements.

Current Issues

The Public Library of Mount Vernon and Knox County strives continually to provide the highest quality and optimum quantity of library materials and services to the general public of the library district. In an era of rising prices and stagnant or shrinking funding, this can be a difficult and challenging task. There are certain costs which, effectively, cannot be controlled (insurance, utilities) and others which can, though usually not without doing violence to the Library's ability to accomplish its public service goals. Historically, the Library has controlled costs and responded to fiscal crises (generally brought about by legislative actions of the Ohio General Assembly) by reducing expenditures for library materials (books, periodicals, audiovisual media and electronic data resources) and reducing staff, usually by attrition. These measures have worked reasonably well, so far. In anticipation of further fiscal strictures, the Library Board of Trustees, the Director and the Clerk-Treasurer are continually reviewing (in consultation with other library personnel) options and ideas for further cost reduction measures, as well as possibilities for revenue enhancements. One such enhancement will be very significantly and substantially realized in 2010 and afterward, as the Library was successful, on November 4, 2009, in passing a one-mill continuing period property tax levy for the purposes of operating the Library. This levy will increase the Library's net receipts in the General Fund by about \$1,000,000 each year, providing a significant buffer against further downturns in the economy and the LLGSF.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Dee Durfee, Clerk-Treasurer, or John K. Chidester, Director, Public Library of Mount Vernon and Knox County, 201 N. Mulberry Street, Mount Vernon, OH 43050.

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PUBLIC LIBRARY OF MOUNT VERNON & KNOX COUNTY
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$653,916</u> |
| <i>Total Assets</i> | <u><u>\$653,916</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Debt Service | \$378,199 |
| Unrestricted | <u>275,717</u> |
| <i>Total Net Assets</i> | <u><u>\$653,916</u></u> |

See accompanying notes to the basic financial statements

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Program Cash Receipts | Net (Disbursements) Receipts and Changes in Net Assets |
|--|--------------------------------------|--|
| Cash Disbursements | Charges for Services and Sales | Governmental Activities |
| Governmental Activities | | |
| Library Services | \$1,582,655 | (\$1,545,133) |
| Capital Outlay | 21,816 | (21,816) |
| Debt Service: | | |
| Principal Retirement | 220,000 | (220,000) |
| Interest and Fiscal Charges | 12,180 | (12,180) |
| <i>Total Governmental Activities</i> | <u>\$1,836,651</u> | <u>(1,799,129)</u> |
| General Receipts | | |
| Property Taxes Levied for: | | |
| General Purposes | | 154,214 |
| Debt Service | | 116,619 |
| Unrestricted Gifts and Contributions | | 38,534 |
| Grants and Entitlements not Restricted to Specific Programs | | 1,367,655 |
| Interest | | 6,254 |
| Miscellaneous | | 8,455 |
| <i>Total General Receipts</i> | | 1,691,731 |
| Change in Net Assets | | (107,398) |
| <i>Net Assets Beginning of Year</i> | | <u>761,314</u> |
| <i>Net Assets End of Year</i> | | <u>\$653,916</u> |

See accompanying notes to the basic financial statements

PUBLIC LIBRARY OF MOUNT VERNON & KNOX COUNTY
KNOX COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

| | General | Debt Service | Capital Projects | Endowment | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|---------------------|-----------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$106,774 | \$378,199 | \$82,223 | \$76,406 | \$10,314 | \$653,916 |
| <i>Total Assets</i> | <u>\$106,774</u> | <u>\$378,199</u> | <u>\$82,223</u> | <u>\$76,406</u> | <u>\$10,314</u> | <u>\$653,916</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | \$106,774 | \$0 | \$0 | \$0 | \$0 | \$106,774 |
| Special Revenue Funds | 0 | 0 | 0 | 76,406 | 10,314 | 86,720 |
| Debt Service Fund | 0 | 378,199 | 0 | 0 | 0 | 378,199 |
| Capital Projects Funds | 0 | 0 | 82,223 | 0 | 0 | 82,223 |
| <i>Total Fund Balances</i> | <u>\$106,774</u> | <u>\$378,199</u> | <u>\$82,223</u> | <u>\$76,406</u> | <u>\$10,314</u> | <u>\$653,916</u> |

See accompanying notes to the basic financial statements

PUBLIC LIBRARY OF MOUNT VERNON & KNOX COUNTY
KNOX COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | General | Debt Service | Capital Projects | Endowments | Other Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|---------------------|-----------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$154,214 | \$116,619 | \$0 | \$0 | \$0 | \$270,833 |
| Intergovernmental | 1,350,215 | 17,440 | 0 | 0 | 0 | 1,367,655 |
| Patron Fines and Fees | 37,522 | 0 | 0 | 0 | 0 | 37,522 |
| Contributions, Gifts and Donations | 0 | 0 | 0 | 26,200 | 12,334 | 38,534 |
| Earnings on Investments | 6,254 | 0 | 0 | 0 | 0 | 6,254 |
| Miscellaneous | 7,652 | 0 | 803 | 0 | 0 | 8,455 |
| <i>Total Receipts</i> | <u>1,555,857</u> | <u>134,059</u> | <u>803</u> | <u>26,200</u> | <u>12,334</u> | <u>1,729,253</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| Library Services | 1,537,599 | 2,766 | 0 | 29,310 | 12,980 | 1,582,655 |
| Capital Outlay | 0 | 0 | 21,816 | 0 | 0 | 21,816 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 220,000 | 0 | 0 | 0 | 220,000 |
| Interest and Fiscal Charges | 0 | 12,180 | 0 | 0 | 0 | 12,180 |
| <i>Total Disbursements</i> | <u>1,537,599</u> | <u>234,946</u> | <u>21,816</u> | <u>29,310</u> | <u>12,980</u> | <u>1,836,651</u> |
| <i>Net Change in Fund Balances</i> | 18,258 | (100,887) | (21,013) | (3,110) | (646) | (107,398) |
| <i>Fund Balances Beginning of Year</i> | <u>88,516</u> | <u>479,086</u> | <u>103,236</u> | <u>79,516</u> | <u>10,960</u> | <u>761,314</u> |
| <i>Fund Balances End of Year</i> | <u>\$106,774</u> | <u>\$378,199</u> | <u>\$82,223</u> | <u>\$76,406</u> | <u>\$10,314</u> | <u>\$653,916</u> |

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$169,600 | \$169,600 | \$154,214 | (\$15,386) |
| Intergovernmental | 1,515,088 | 1,515,088 | 1,350,215 | (164,873) |
| Patron Fines and Fees | 36,300 | 36,300 | 37,522 | 1,222 |
| Earnings on Investments | 22,950 | 22,950 | 6,254 | (16,696) |
| Miscellaneous | 1,500 | 1,500 | 7,652 | 6,152 |
| <i>Total receipts</i> | <u>1,745,438</u> | <u>1,745,438</u> | <u>1,555,857</u> | <u>(189,581)</u> |
| Disbursements | | | | |
| Library Services | 1,831,452 | 1,828,202 | 1,537,599 | 290,603 |
| <i>Total Disbursements</i> | <u>1,831,452</u> | <u>1,828,202</u> | <u>1,537,599</u> | <u>290,603</u> |
| <i>Net Change in Fund Balance</i> | (86,014) | (82,764) | 18,258 | 101,022 |
| <i>Fund Balance Beginning of Year</i> | <u>88,516</u> | <u>88,516</u> | <u>88,516</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$2,502</u></u> | <u><u>\$5,752</u></u> | <u><u>\$106,774</u></u> | <u><u>\$101,022</u></u> |

See accompanying notes to the basic financial statements

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ENDOWMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Unrestricted Gifts and Contributions | \$7,500 | \$13,603 | \$26,200 | \$12,597 |
| <i>Total receipts</i> | 7,500 | 13,603 | 26,200 | 12,597 |
| Disbursements | | | | |
| Library Services | 79,516 | 79,516 | 29,310 | 50,206 |
| <i>Total Disbursements</i> | 79,516 | 79,516 | 29,310 | 50,206 |
| <i>Net Change in Fund Balance</i> | (72,016) | (65,913) | (3,110) | 62,803 |
| <i>Fund Balance Beginning of Year</i> | 79,516 | 79,516 | 79,516 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$7,500</u> | <u>\$13,603</u> | <u>\$76,406</u> | <u>\$62,803</u> |

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1 – Description of the Library and Reporting Entity

The Public Library of Mount Vernon and Knox County (the Library) began as a municipal library in 1888 and was then organized as a school district library in 1924. In 1985, the school district library board reorganized as a county district library, pursuant to sections 3375.19 to 3375.24, inclusive, of the Ohio Revised Code, and continues to operate as such under sections 3375.32 to 3375.41, inclusive, and other relevant sections of the Ohio Revised Code. When the county library district was created, all property of the former municipal library, with the exception of its endowment fund, and all property of the former school district public library, became vested in the new county district library. The Library has its own Board of Trustees of seven members, four of which are appointed by the Knox County Commissioners and three of which are appointed by the judge of the Knox County Common Pleas Court. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.32 to 3375.41 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the County of Knox, Ohio.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Library is fiscally independent of the Knox County government. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of County Commissioners must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of County Commissioners.

The Friends of the Public Library of Mount Vernon and Knox County (Friends of the Library) is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Although the economic resources of the Friends of the Library almost entirely benefit the Library, the library is not entitled nor does it have access to the economic resources of the Friends of the library. While the resources received by the Library from the Friends of the Library serve to enhance programs, facilities and the collection, these resources are not significant proportionally to the Library's annual budget.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 1 – Description of the Library and Reporting Entity (continued)

As discussed in further in Note 11, an endowment fund of the former municipal library board is held in trust and administered by a board of trustees (the City Board) appointed by the mayor of the City of Mount Vernon, Ohio, with ratification by vote of the Mount Vernon City Council. The Library does not exercise any control whatsoever over the appointment of the City Board's trustees. The Library is not entitled to the corpus of the City Board's assets and does not exercise any control over them. The City Board decides on its own, without any input or control from the Library, how much of the income from those assets will be disbursed to the Public Library of Mount Vernon and Knox County in any given year.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the library. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Library's general receipts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are all classified as governmental.

Governmental Funds

The library classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants-in-aid), and other nonexchange transactions as governmental funds. The library's major governmental funds are the General Fund, Debt Service Fund, Capital Projects Fund, and Endowment Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio. The Debt Service Fund is used to accumulate local property taxes to be used to pay the principal and interest on outstanding library improvement bonds and notes. The Capital Projects fund is used to account for receipts that are set aside by the Board of Trustees for building construction, renovation, maintenance and repair, furnishings, equipment and technology improvements for the Library. The Endowment fund accounts for receipts from the City Library Board, bequests and other contributions to be used for general library operations and are not restricted in use or principal. The other governmental fund of the Library accounts for contributions.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2009, the Library invested in nonnegotiable certificates of deposit.

Interest earnings credited to the General Fund during 2009 was \$ 6,254.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation or unpaid compensatory time, but not for unused sick leave, personal leave or emergency leave. The accumulated potential cost of unpaid vacation, sick leave, compensatory time, personal leave and emergency leave is not reflected as a liability under the Library's modified cash basis of accounting.

G. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for its employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include monies in the Debt Service Fund, which are restricted for retirement of principle and interest of outstanding bonds and notes.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfer.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and endowment fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 4 - Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Such monies must be maintained either as cash in the Library treasury, 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 five-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 accounts.

Interim deposits are deposits of interim monies. Interim monies 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 passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 4 - Deposits and Investments (continued)

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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, Federal 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 the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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. Investments may only be made through specified dealers and institutions.

Deposits

At December 31, 2009, the carrying value of all the Library's deposits was \$653,916. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$413,816 of the library's bank balance of \$663,816 was exposed to custodial credit risk as discussed below, while \$250,000. was covered by the Federal Deposit Insurance Corporation. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the library will not be able to recover deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific held a the Federal Reserve Bank in the Name of the Library.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 4 - Deposits and Investments (continued)

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least on hundred five percent of the deposits being secured.

Note 5 – Grants-in-Aid 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.

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Knox County Library District. Real property tax received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent, of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2009 were levied after October 1, 2008, on the true value as of December 31, 2008. Tangible personal property is currently assessed at 25percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment in due April 30; if paid semiannually, the first payment is due April 30, with the reminder payable by September 20.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 6 - Property Taxes (continued)

The full tax rate for all Library operations for the year ended December 31, 2009, was .41 per 1000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

| | |
|-------------------------------|-------------------------|
| Real Property | |
| Residential | \$ 699,366,890 |
| Agriculture | 173,445,900 |
| Commercial/Industrial/Mineral | 123,774,600 |
| Public Utility Property: | |
| Real | 264,060 |
| Personal | 34,170,610 |
| Total Assessed Value | <u>\$ 1,031,022,060</u> |

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, the Library contracted with the Cincinnati Insurance Company, through the local offices of the Dumbaugh Insurance Agency, for various types of insurance coverage as follows:

| <u>Type of Insurance</u> | <u>Coverage</u> |
|---|-----------------|
| Commercial Property | \$5,897,200 |
| General Liability | \$6,000,000 |
| Automotive | \$1,000,000 |
| Directors & Officers Errors & Omissions | \$1,000,000 |
| Electronic Data Processing | \$180,000 |

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Note 8 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 8 - Defined Benefit Pension Plan (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classification contributed 10 percent of covered payroll.

The Library's contribution rate for 2009 was 14 percent of covered payroll.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$73,484, \$85,749, \$100,148, respectively. The full amount has been contributed for 2009, 2008, and 2007.

Note 9 - Postemployment Benefits

Plan Description- OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and medicare Part B premium reimbursement.

To qualify for postemployment healthcare, age and service retirees under the traditional and combines plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601.

The postemployment healthcare plan was established under and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00 percent of covered payroll. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7.00 percent of covered payroll in January 1 through March 31,2009, and 5.5% from April 1, through December 31, 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 9 - Postemployment Benefits (continued)

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefit by the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008 and 2007 were \$73,484, \$86,285, \$65,965, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Members and employer contribution rates increased as of January 1, 2006 to 2008, which allowed additional funds to be allocated to the healthcare plan.

Note 10 – Debt

The Library's long-term debt activity for the year ended December 31, 2009, was as follows:

| | Interest Rate | Balance December 31, 2009 | Reduction | Balance December 31, 2009 | Due Within One Year |
|--------------------------------|------------------|---------------------------------|------------|---------------------------------|------------------------|
| <u>Governmental Activities</u> | | | | | |
| Library Improvement Bonds | | | | | |
| 2000 Issue \$1,865,000 | 5.0%-5.15% | \$325,000 | \$ 220,000 | \$ 105,000 | \$ 69,486 |

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

Debt principal outstanding on the series 1989 bonds at December 31, 2009 was \$105,000. Assets accumulated to retire this debt are held by the trustee and are not included in these financial statements. At December 31, 2009, the trustee held assets that approximate the principal outstanding on the series 1989 bonds.

The following is a summary of the Library's future annual debt service requirements:

| Year | Library Improvement Bonds | |
|--------|------------------------------|------------------|
| | Principal | Interest |
| 2010 | 69,486 | 165,514 |
| 2011 | 35,514 | 99,487 |
| Totals | <u>\$105,000</u> | <u>\$265,001</u> |

The Ohio Revised Code provides that net general obligation debt of the Library, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Library. The revised code further provides that total voted and unvoted net debt of the library less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$108,257,316 and an unvoted debt margin of \$56,706,213.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Note 11 –City Library Board

As previously discussed in Note 1, The Board of Trustees of the Public Library of the City of Mount Vernon (the “City Board) agreed, by contract in 1985, 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 endowment 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.

Investment balance held and managed by the City Board at December 31, 2009 follows:

| <u>Investments</u> | <u>Balance (Cost)</u> |
|--|-----------------------|
| Washington Mutual Investors Shares | \$ 48,000 |
| Federal Home Loan Bank | 195,039 |
| Federal Home Loan Mortgage Corporation | 24,830 |
| Federal Farm Credit Bank | 34,447 |
| First Knox Savings | 23,110 |
| Raymond James Money Market | <u>2,699</u> |
| <u>Total</u> | <u>\$328,125</u> |

The City Board distributed \$20,131 to the Library in 2009.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Public Library of Mount Vernon and Knox County, Knox County, Ohio, (the Library) as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 12, 2010, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated July 12, 2010.

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 12, 2010

PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2009-01

Material Weakness

Financial Statement Presentation - Major Funds

Governmental Accounting Standards Board Statement No. 34 paragraph 76 states...The reporting government's main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), *and*
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The Library's Endowment Fund met the criteria above to be presented as a major fund; however, the Library did not present the Endowment Fund as a major fund.

Failure to identify and present major funds can lead to material misstatement of the financial statements.

We recommend the Clerk-Treasurer implement procedures to ensure that all major funds have been correctly identified and presented on the financial statements.

An adjustment was made to the financial statements to properly reflect the Endowment Fund as a major fund.

Officials' Response: We did not receive an Officials response to this finding.

PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------|------------------|--|
| 2008-001 | Major Fund Presentation | No | Reported as finding 2009-001 |



Mary Taylor, CPA
Auditor of State

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
AUGUST 17, 2010**