



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

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2011-2010



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the Independent Accountants' Report we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Library to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

May 17, 2012

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Dave Yost • Auditor of State

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Public Library of Mount Vernon and Knox County, Knox County, Ohio, (the Library) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Public Library of Mount Vernon and Knox County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Library adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Also as described in Note 1, for the year ended December 31, 2010, the Library changed its financial presentation comparable from the requirements of Governmental Accounting Standard No. 34, to the accounting practices the Auditor of State prescribes or permits.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2012, 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.



Dave Yost
Auditor of State

May 17, 2012

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|------------------|--------------------|------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$1,065,277 | \$0 | \$0 | \$0 | \$1,065,277 |
| Public Library | 1,262,024 | 0 | 0 | 0 | 1,262,024 |
| Intergovernmental | 163,038 | 0 | 0 | 0 | 163,038 |
| Patron Fines and Fees | 27,888 | 0 | 0 | 0 | 27,888 |
| Contributions, Gifts and Donations | 0 | 172,224 | 0 | 0 | 172,224 |
| Earnings on Investments | 2,289 | 0 | 0 | 0 | 2,289 |
| Miscellaneous | 24,427 | 0 | 0 | 0 | 24,427 |
| <i>Total Cash Receipts</i> | <u>2,544,943</u> | <u>172,224</u> | <u>0</u> | <u>0</u> | <u>2,717,167</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Salaries | 1,278,097 | 0 | 0 | 0 | |
| Employee Fringe Benefits | 343,064 | 0 | 0 | 0 | 343,064 |
| Purchased and Contract Services | 210,489 | 0 | 0 | 0 | 210,489 |
| Library Materials and Information | 370,581 | 33,525 | 0 | 0 | |
| Supplies | 75,121 | 0 | 0 | 0 | 75,121 |
| Other | 4,941 | 0 | 0 | 0 | 4,941 |
| Capital Outlay | 49,735 | 0 | 0 | 186,835 | 236,570 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 0 | 35,513 | 0 | 35,513 |
| Interest and Fiscal Charges | 0 | 0 | 100,035 | 0 | 100,035 |
| <i>Total Cash Disbursements</i> | <u>2,332,028</u> | <u>33,525</u> | <u>135,548</u> | <u>186,835</u> | <u>1,005,733</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>212,915</u> | <u>138,699</u> | <u>(135,548)</u> | <u>(186,835)</u> | <u>1,711,434</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | | 10,400 | | 300,000 | 310,400 |
| Transfers Out | (310,400) | 0 | 0 | 0 | (310,400) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(310,400)</u> | <u>10,400</u> | <u>0</u> | <u>300,000</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | (97,485) | 149,099 | (135,548) | 113,165 | 29,231 |
| <i>Fund Cash Balances, January 1</i> | <u>518,560</u> | <u>100,610</u> | <u>142,349</u> | <u>150,177</u> | <u>911,696</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted: | | | | | |
| Debt Service | 0 | 0 | 6,801 | 0 | 6,801 |
| Committed: | | | | | |
| Library Equipment/Materials | 0 | 249,709 | 0 | 0 | 249,709 |
| Assigned: | | | | | |
| Capital Improvements | 0 | 0 | 0 | 263,342 | 263,342 |
| Unassigned | 421,075 | 0 | 0 | 0 | 421,075 |
| <i>Fund Cash Balances, December 31</i> | <u>\$421,075</u> | <u>\$249,709</u> | <u>\$6,801</u> | <u>\$263,342</u> | <u>\$940,927</u> |

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | <u>All Fund Types</u> | | | | Totals (Memorandum Only) |
|---|-----------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property and Other Local Taxes | \$1,060,548 | \$0 | \$0 | \$0 | \$1,060,548 |
| Library and Local Government Support | 1,264,052 | 0 | 0 | 0 | 1,264,052 |
| Intergovernmental | 187,278 | 0 | 0 | 0 | 187,278 |
| Patron Fines and Fees | 34,473 | 0 | 0 | 0 | 34,473 |
| Contributions, Gifts and Donations | 0 | 44,441 | 0 | 0 | 44,441 |
| Earnings on Investments | 4,129 | 0 | 0 | 0 | 4,129 |
| Miscellaneous | 16,088 | 0 | 0 | 0 | 16,088 |
| Total Cash Receipts | 2,566,568 | 44,441 | 0 | 0 | 2,611,009 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Salaries | 1,098,357 | 0 | 0 | 0 | 1,098,357 |
| Employee Fringe Benefits | 284,825 | 0 | 0 | 0 | 284,825 |
| Purchased and Contractual Services | 219,288 | 0 | 0 | 0 | 219,288 |
| Library Materials and Information | 297,781 | 34,051 | 0 | 0 | 331,832 |
| Supplies | 50,944 | 0 | 0 | 0 | 50,944 |
| Other | 4,617 | 0 | 0 | 0 | 4,617 |
| Capital Outlay | 45,470 | 0 | 0 | 82,046 | 127,516 |
| Debt Service: | | | | | |
| Redemption of Principal | 0 | 0 | 69,486 | 0 | 69,486 |
| Interest and Other Fiscal Charges | 0 | 0 | 166,364 | 0 | 166,364 |
| Total Cash Disbursements | 2,001,282 | 34,051 | 235,850 | 82,046 | 2,353,229 |
| Total Receipts Over/(Under) Disbursements | 565,286 | 10,390 | (235,850) | (82,046) | 257,780 |
| Other Financing Receipts / (Disbursements): | | | | | |
| Transfers-In | 0 | 3,500 | 0 | 150,000 | 153,500 |
| Transfers-Out | (153,500) | 0 | 0 | 0 | (153,500) |
| Total Other Financing Receipts / (Disbursements) | (153,500) | 3,500 | 0 | 150,000 | 0 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 411,786 | 13,890 | (235,850) | 67,954 | 257,780 |
| Fund Cash Balances, January 1 | 106,774 | 86,720 | 378,199 | 82,223 | 653,916 |
| Fund Cash Balances, December 31 | \$518,560 | \$100,610 | \$142,349 | \$150,177 | \$911,696 |

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the 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 constitution and laws of the State of Ohio establish the rights and privileges of the Public Library of Mount Vernon and Knox County, Knox County, (the Library) as a body corporate and politic. Board appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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 assume 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A. Description of the Entity (Continued)

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.

As discussed in further in Note 8, 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

In 2010, the Library changed its financial presentation comparable from the requirements of Governmental Accounting Standard No 34 to accounting practices the Auditor of State prescribes or permits. This change did not result in any restatement at January 1, 2010.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Endowment Fund — This fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the Library.

Special Book Fund — This fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the Library.

3. Debt Service Fund

This fund accounts for resources the Library accumulates to pay bonded debt.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

E. Budgetary Process

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

A summary of 2010 and 2011 budgetary activity appears in Note 3.

F. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balances (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

| | 2010 | 2011 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$26,884 | \$9,831 |
| Certificates of deposit | 100,000 | 0 |
| Savings account | 784,812 | 931,096 |
| Total deposits and Investments | \$911,696 | \$940,927 |

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|------------|
| General | \$2,568,375 | \$2,544,943 | (\$23,432) |
| Special Revenue | 125,852 | 182,624 | 56,772 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 300,000 | 300,000 | 0 |
| Total | \$2,994,227 | \$3,027,567 | \$33,340 |

2011 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-----------|
| General | \$3,085,188 | \$2,642,428 | \$442,760 |
| Special Revenue | 100,611 | 33,525 | 67,086 |
| Debt Service | 135,850 | 135,548 | 302 |
| Capital Projects | 450,177 | 186,835 | 263,342 |
| Total | \$3,771,826 | \$2,998,336 | \$773,490 |

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$2,435,262 | \$2,566,568 | \$131,306 |
| Special Revenue | 45,095 | 47,941 | 2,846 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 150,000 | 150,000 | 0 |
| Total | <u>\$2,630,357</u> | <u>\$2,764,509</u> | <u>\$134,152</u> |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,541,034 | \$2,154,782 | \$386,252 |
| Special Revenue | 94,220 | 34,051 | 60,169 |
| Debt Service | 238,250 | 235,850 | 2,400 |
| Capital Projects | 82,224 | 82,046 | 178 |
| Total | <u>\$2,955,728</u> | <u>\$2,506,729</u> | <u>\$448,999</u> |

4. Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

5. Debt

The Library had issued 2000 Series Improvement Bonds. These bonds were paid off during 2011 in accordance with the amortization schedule. Principle and interest payments totaled \$235,850 and \$135,548 in 2010 and 2011, respectively. The Library does not have any debt outstanding at December 31, 2011.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Retirement Systems

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through December 31, 2011.

7. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

8. 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, 2011 follows:

| | |
|--|-----------|
| Washington Mutual Investment Shares | \$ 48,000 |
| Federal Home Loan Bank | 105,501 |
| First Knox CD's | 80,000 |
| Federal Farm Credit Bank | 34,447 |
| Fed. National Mortgage Association | 24,830 |
| First Knox National Bank Savings Account | 10,525 |
| Raymond James Money Market Account | 2 |
| Total | \$303,505 |

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Dave Yost • 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 Public Library of Mount Vernon and Knox County, Knox County, Ohio (the Library) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated May 17, 2012, wherein we noted the Library changed its financial presentation comparable from the requirements of Governmental Accounting Standards 34, to accounting practices the Auditor of State prescribes or permits and the Library in 2011 adopted Governmental Accounting Standards Board Statement No. 54. 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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



Dave Yost
Auditor of State

May 17, 2012

PUBLIC LIBRARY OF MOUNT VERNON AND KNOX COUNTY
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|-------------------------|------------------|--|
| 2009-01 | Major Fund Presentation | Yes | . |



Dave Yost • 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
JUNE 12, 2012**