



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016**



**Dave Yost • Auditor of State**



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements For the Year Ended December 31, 2017 .....	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2016 .....	11
Notes to the Financial Statements For the Year Ended December 31, 2016 .....	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	19

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Public Library of Mount Vernon and Knox County, Knox County, Ohio (the Library) as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Public Library of Mount Vernon and Knox County, Knox County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 12, 2018

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$1,143,385	\$0	\$0	\$0	\$1,143,385
Public Library	1,378,062	0	0	0	1,378,062
Intergovernmental	152,827	0	0	0	152,827
Patron Fines and Fees	31,327	0	0	0	31,327
Contributions, Gifts and Donations	0	19,788	0	0	19,788
Earnings on Investments	308	0	0	0	308
Miscellaneous	22,118	0	0	0	22,118
<i>Total Cash Receipts</i>	<u>2,728,027</u>	<u>19,788</u>	<u>0</u>	<u>0</u>	<u>2,747,815</u>
<b>Cash Disbursements</b>					
Current:					
Library Services:					
Public Services and Programs	2,073,496	0	0	0	2,073,496
Collection Development and Processing	371,010	35,867	0	0	406,877
Support Services:					
Facilities Operation and Maintenance	244,423	0	0	0	244,423
Capital Outlay	23,588	0	0	41,633	65,221
Debt Service:					
Principal Retirement	0	0	10,000	0	10,000
Interest and Fiscal Charges	0	0	3,895	0	3,895
<i>Total Cash Disbursements</i>	<u>2,712,517</u>	<u>35,867</u>	<u>13,895</u>	<u>41,633</u>	<u>2,803,912</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>15,510</u>	<u>(16,079)</u>	<u>(13,895)</u>	<u>(41,633)</u>	<u>(56,097)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	0	13,575	35,000	48,575
Transfers Out	(48,575)	0	0	0	(48,575)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(48,575)</u>	<u>0</u>	<u>13,575</u>	<u>35,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(33,065)</u>	<u>(16,079)</u>	<u>(320)</u>	<u>(6,633)</u>	<u>(56,097)</u>
<i>Fund Cash Balances, January 1</i>	<u>350,121</u>	<u>92,998</u>	<u>13,900</u>	<u>19,512</u>	<u>476,531</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	0	13,580	0	13,580
Committed	0	76,919	0	0	76,919
Assigned	317,056	0	0	12,879	329,935
<i>Fund Cash Balances, December 31</i>	<u>\$317,056</u>	<u>\$76,919</u>	<u>\$13,580</u>	<u>\$12,879</u>	<u>\$420,434</u>

See accompanying notes to the basic financial statements

**Public Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 1 - Reporting Entity**

The Public Library of Mount Vernon and Knox County (the Library), Knox County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Board appoints a seven- member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***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 funds of the Library are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported 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.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

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

***Special Book Fund*** The special book fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the Library.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Fund:

***Debt Service Fund*** The debt service fund accounts for resources the Library accumulates to pay bonded debt



**Public Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project fund:

**Capital Project Fund** – The capital project fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**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 object level of control.

A summary of 2017 budgetary activity appears in Note 3.

**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.

**Capital Assets**

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

**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

For the Year Ended December 31, 2017

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fund Balance**

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:

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

**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.

**Committed** The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends 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.

**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 the Library Board or a Library official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,736,318	\$2,728,027	(\$8,291)
Special Revenue	14,414	19,788	5,374
Debt Service	0	13,575	13,575
Capital Projects	35,000	35,000	0
Total	<u>\$2,785,732</u>	<u>\$2,796,390</u>	<u>\$10,658</u>

**Public Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 3 - Budgetary Activity (Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,086,439	\$2,761,092	\$325,347
Special Revenue	99,912	35,867	64,045
Debt Service	13,900	13,895	5
Capital Projects	54,512	41,633	12,879
Total	<u>\$3,254,763</u>	<u>\$2,852,487</u>	<u>\$402,276</u>

**Note 4 – Deposits**

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:

	2017
Demand deposits	\$40,721
Other time deposits (savings and NOW accounts)	379,713
Total deposits	<u>\$420,434</u>

**Deposits**

The Library's deposits are collateralized through the Ohio Pooled Collateral System (OPCS).

**Note 5 – Grants in Aid and Taxes**

**Grants in Aid**

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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

**Property Taxes**

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 Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 5 – Grants in Aid and Taxes (Continued)**

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**Note 6 - Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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. 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, 2017.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$110,000	3%

The Library issued general obligation bonds for acquiring and improving library facilities with related appurtenances; acquiring land and interests in land; and paying the costs of other property referred to in section 3375.40(C), Ohio Revised Code.

The maximum maturity of the notes proposed to be issued to pay the cost of such permanent improvements, calculated in accordance with Ohio Revised Code Section 133.20, is fifteen years. The debt will mature in 2028.

**Public Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 9 – Debt (Continued)**

In association with the above bond, the Library is required to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2017 is \$13,580.

***Amortization***

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

Year ending December 31:	Type of Debt	General Obligation Bonds
2018	GO Series 2014	\$13,575
2019	GO Series 2014	13,250
2020	GO Series 2014	12,933
2021	GO Series 2014	12,600
2022	GO Series 2014	12,275
2023-2027	GO Series 2014	56,504
2028	GO Series 2014	10,326
Total		<u>\$131,463</u>

**Note 10 – Related Organizations**

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.

**Public Library of Mount Vernon and Knox County**

*Knox County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

---

**Note 11 – City Library Board**

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 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 Mount Vernon and Knox County. Investment balance held and managed by the City Board at December Board at December 1, 2017 follows:

Washington Mutual Investors Shares	\$ 79,287.25
First-Knox National Bank CD .40% Due 1/8/18	\$ 20,000.00
First-Knox National Bank CD .295% Due 2/24/18	\$ 30,000.00
American Express Bank CD 1.45% Due 1/16/18	\$ 25,002.50
First-Knox National Bank CD .45% Due 5/17/18	\$ 25,112.83
Capital One Bank CD 1.65% Due 7/9/18	\$ 24,994.50
Everbank FL CD 1.45% Due 12/26/18	\$ 19,944.20
First Knox National Bank CD 1.41% Due 2/7/19	\$ 20,000.00
Ally Bank CD 1.15% Due 2/19/19	\$ 29,747.70
Community Financial CD 1.05% Due 7/12/19	\$ 34,557.60
Ally Bank CD 1.8% Due 3/30/20	\$ 29,830.80
Capital One Bank CD 2% Due 11/9/20	\$ 24,888.25
Discover Bank 2.15% Due 11/8/21	\$ 29,880.30
First Knox National Bank Savings Account	\$ 34,301.16
Raymond James Money Market Account	\$ 4,020.84
Total	\$431,567.93

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$1,119,749	\$0	\$0	\$0	\$1,119,749
Public Library	1,372,518	0	0	0	1,372,518
Intergovernmental	152,901	0	0	0	152,901
Patron Fines and Fees	33,118	0	0	0	33,118
Contributions, Gifts and Donations	0	8,799	0	0	8,799
Earnings on Investments	354	0	0	0	354
Miscellaneous	19,334	0	0	0	19,334
<i>Total Cash Receipts</i>	<u>2,697,974</u>	<u>8,799</u>	<u>0</u>	<u>0</u>	<u>2,706,773</u>
<b>Cash Disbursements</b>					
Current:					
Library Services:					
Public Services and Programs	2,061,532	0	0	0	2,061,532
Collection Development and Processing	373,684	20,900	0	0	394,584
Support Services:					
Facilities Operation and Maintenance	264,210	0	0	0	264,210
Capital Outlay	40,971	0	0	8,626	49,597
Debt Service:					
Principal Retirement	0	0	10,000	0	10,000
Interest and Fiscal Charges	0	0	4,237	0	4,237
<i>Total Cash Disbursements</i>	<u>2,740,397</u>	<u>20,900</u>	<u>14,237</u>	<u>8,626</u>	<u>2,784,160</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(42,423)</u>	<u>(12,101)</u>	<u>(14,237)</u>	<u>(8,626)</u>	<u>(77,387)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	0	0	28,137	0	28,137
Transfers Out	(28,137)	0	0	0	(28,137)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(28,137)</u>	<u>0</u>	<u>28,137</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(70,560)</u>	<u>(12,101)</u>	<u>13,900</u>	<u>(8,626)</u>	<u>(77,387)</u>
<i>Fund Cash Balances, January 1</i>	<u>420,681</u>	<u>105,099</u>	<u>0</u>	<u>28,138</u>	<u>553,918</u>
<b>Fund Cash Balances, December 31</b>					
Restricted	0	0	13,900	0	13,900
Committed	0	92,998	0	0	92,998
Assigned	350,121	0	0	19,512	369,633
<i>Fund Cash Balances, December 31</i>	<u>\$350,121</u>	<u>\$92,998</u>	<u>\$13,900</u>	<u>\$19,512</u>	<u>\$476,531</u>

See accompanying notes to the basic financial statements

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

---

**Note 1 - Reporting Entity**

The Public Library of Mount Vernon and Knox County (the Library), Knox County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Board appoints a seven- member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***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 funds of the Library are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported 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.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

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

***Special Book Fund*** The special book fund receives gifts and donations from benefactors and uses the monies to purchase books for use by the Library.

***Debt Service Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Fund:

***Debt Service Fund*** The debt service fund accounts for resources the Library accumulates to pay bonded debt.



**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project fund:

**Capital Project Fund** – The capital project fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**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 object level of control.

A summary of 2016 budgetary activity appears in Note 3.

**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.

**Capital Assets**

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

**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.

**Fund Balance**

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:

**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**  
**For the Year Ended December 31, 2016**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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.

**Committed** The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends 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.

**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 the Library Board or a Library official delegated that authority by resolution, or by State Statute.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,679,855	\$2,697,974	\$18,119
Special Revenue	15,062	8,799	(6,263)
Debt Service	28,137	28,137	0
Total	<u>\$2,723,054</u>	<u>\$2,734,910</u>	<u>\$11,856</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,100,536	\$2,768,534	\$332,002
Special Revenue	112,661	20,900	91,761
Debt Service	28,137	14,237	13,900
Capital Projects	28,138	8,626	19,512
Total	<u>\$3,269,472</u>	<u>\$2,812,297</u>	<u>\$457,175</u>

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

---

**Note 4 – Deposits**

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:

	<u>2016</u>
Demand deposits	\$8,826
Other time deposits (savings and NOW accounts)	467,705
Total deposits	<u>\$476,531</u>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library;

**Note 5 – Grants in Aid and Taxes**

**Grants in Aid**

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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

**Property Taxes**

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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**Note 6 - Risk Management**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

---

**Note 7 - Defined Benefit Pension Plans**

**Ohio Public Employees Retirement System**

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. 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, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan 2.0 percent during calendar year 2016.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$120,000	3%

The Library issued general obligation bonds for acquiring and improving library facilities with related appurtenances; acquiring land and interests in land; and paying the costs of other property referred to in section 3375.40(C), Ohio Revised.

The maximum maturity of the notes proposed to be issued to pay the cost of such permanent improvements, calculated in accordance with Ohio Revised Code Section 133.20, is fifteen years. The debt will mature in 2028.

In association with the above bond, the Library is required to establish and fund a debt service reserve fund, included as a debt service fund. The balance in the fund at December 31, 2016 is \$13,900.

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 9 – Debt (Continued)**

***Amortization***

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

Year ending December 31:	List Type of Debt	General Obligation Bonds
2017	GO Series 2014	\$13,900
2018	GO Series 2014	13,575
2019	GO Series 2014	13,250
2020	GO Series 2014	12,933
2021	GO Series 2014	12,600
2022-2026	GO Series 2014	58,129
2027-2028	GO Series 2014	20,976
Total		\$145,363

**Note 10 – Related Organizations**

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.

**Public Library of Mount Vernon and Knox County**  
**Knox County**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2016**

---

**Note 11 – City Library Board**

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 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 Mount Vernon and Knox County. Investment balance held and managed by the City Board at December Board at December 1, 2016 follows:

Washington Mutual Investors Shares	\$ 71,124.05
First-Knox National Bank CD .40% Due 1/8/18	\$ 30,000.00
First-Knox National Bank CD .295% Due 2/24/18	\$ 25,169.83
American Express Bank CD 1.45% Due 1/16/18	\$ 20,000.00
First-Knox National Bank CD .45% Due 5/17/18	\$ 20,000.00
Capital One Bank CD 1.65% Due 7/9/18	\$ 29,776.80
Everbank FL CD 1.45% Due 12/26/18	\$ 30,020.10
First Knox National Bank CD 1.41% Due 2/7/19	\$ 34,638.80
Ally Bank CD 1.15% Due 2/19/19	\$ 20,037.80
Community Financial CD 1.05% Due 7/12/19	\$ 30,046.50
Ally Bank CD 1.8% Due 3/30/20	\$ 20,009.80
Capital One Bank CD 2% Due 11/9/20	\$ 25,104.00
Discover Bank 2.15% Due 11/8/21	\$ 25,108.00
First Knox National Bank Savings Account	\$ 27,180.09
Raymond James Money Market Account	\$ 4,618.62
Total	<u>\$ 412,834.39</u>



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Public Library of Mount Vernon and Knox County, Knox County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2018, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 12, 2018





# 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  
NOVEMBER 8, 2018**