



**REUBEN MCMILLAN FREE LIBRARY ASSOCIATION
MAHONING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the accompanying financial statements of the Reuben McMillan Free Library Association, Mahoning County, Ohio, (the Library) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 2, the Library has changed its method of accounting for self insurance activity. During 1998, the Library accounted for self insurance costs directly from its general fund. Beginning in 1999, the Library accounted for self insurance costs in an internal service fund.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2000 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 1, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
State Income Taxes	\$9,941,225				\$9,941,225
General Property Taxes	1,054,816				1,054,816
Other Government Grants-In-Aid	111,409	\$21,004			132,413
Patron Fines and Fees	163,518				163,518
Earnings on Investments	229,154		\$4,190	\$211,755	445,099
Services Provided to Other Entities	124				124
Contributions, Gifts and Donations	0			17,897	17,897
Miscellaneous Receipts	23,475			6,600	30,075
Total Cash Receipts	<u>11,523,721</u>	<u>21,004</u>	<u>4,190</u>	<u>236,252</u>	<u>11,785,167</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	5,429,886				5,429,886
Purchased and Contracted Services	1,137,994	17,407			1,155,401
Supplies	161,505				161,505
Other Objects	19,951				19,951
Library Materials and Information	1,285,299				1,285,299
Debt Service:					
Redemption of Principal			129,961		129,961
Interest Payments and Other Financing Fees and Costs			4,362		4,362
Capital Outlay	65,244			764,104	829,348
Total Cash Disbursements	<u>8,099,879</u>	<u>17,407</u>	<u>134,323</u>	<u>764,104</u>	<u>9,015,713</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,423,842</u>	<u>3,597</u>	<u>(130,133)</u>	<u>(527,852)</u>	<u>2,769,454</u>
Other Financing Receipts/(Disbursements):					
Transfers-In				3,250,000	3,250,000
Transfers-Out	(3,250,000)				(3,250,000)
Total Other Financing Receipts/(Disbursements)	<u>(3,250,000)</u>			<u>3,250,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>173,842</u>	<u>3,597</u>	<u>(130,133)</u>	<u>2,722,148</u>	<u>2,769,454</u>
Fund Cash Balances, January 1	1,070,736		135,571	7,042,336	8,248,643
Fund Cash Balances, December 31	<u><u>\$1,244,578</u></u>	<u><u>\$3,597</u></u>	<u><u>\$5,438</u></u>	<u><u>\$9,764,484</u></u>	<u><u>\$11,018,097</u></u>
Reserves for Encumbrances, December 31	\$616,144			\$266,022	\$882,166

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Reimbursements	\$85,422
Miscellaneous	389,920
Total Operating Cash Receipts	475,342
Operating Cash Disbursements:	
Current:	
Purchased and Contracted Services	14,220
Other Objects	466,066
Total Operating Cash Disbursements	480,286
Operating Income/(Loss)	(4,944)
Non-Operating Cash Receipts:	
Earnings on Investments	7,919
Total Non-Operating Cash Receipts	7,919
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	2,975
Net Receipts Over/(Under) Disbursements	2,975
Fund Cash Balances, January 1	247,730
Fund Cash Balances, December 31	\$250,705

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
State Income Taxes	\$9,216,285			\$9,216,285
General Property Taxes	1,021,359			1,021,359
Other Government Grants-In-Aid	109,000			109,000
Patron Fines and Fees	157,581			157,581
Earnings on Investments	391,289			391,289
Services Provided to Other Entities	334			334
Contributions, Gifts and Donations	30,000			30,000
Miscellaneous Receipts	551,332			551,332
Total Cash Receipts	<u>11,477,180</u>			<u>11,477,180</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	5,284,962			5,284,962
Purchased and Contracted Services	1,103,763			1,103,763
Supplies	154,840			154,840
Other Objects	27,894			27,894
Library Materials and Information	1,255,346			1,255,346
Debt Service:				
Redemption of Principal		125,000		125,000
Interest Payments and Other Financing Fees and Costs		10,541		10,541
Miscellaneous Expenditures	463,324			463,324
Capital Outlay	92,209		620,052	712,261
Total Cash Disbursements	<u>8,382,338</u>	<u>135,541</u>	<u>620,052</u>	<u>9,137,931</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>3,094,842</u>	<u>(135,541)</u>	<u>(620,052)</u>	<u>2,339,249</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		9,800	3,100,000	3,109,800
Transfers-Out	(3,109,800)			(3,109,800)
Total Other Financing Receipts/(Disbursements)	<u>(3,109,800)</u>	<u>9,800</u>	<u>3,100,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(14,958)</u>	<u>(125,741)</u>	<u>2,479,948</u>	<u>2,339,249</u>
Fund Cash Balances, January 1	<u>1,333,424</u>	<u>261,312</u>	<u>4,562,388</u>	<u>6,157,124</u>
Fund Cash Balances, December 31	<u><u>\$1,318,466</u></u>	<u><u>\$135,571</u></u>	<u><u>\$7,042,336</u></u>	<u><u>\$8,496,373</u></u>
Reserves for Encumbrances, December 31	<u><u>\$578,523</u></u>		<u><u>\$402,224</u></u>	<u><u>\$980,747</u></u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Reuben McMillan Free Library Association, Mahoning County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seventeen-member Board of Trustees. Fifteen trustees shall be elected by the Trustees, and shall serve three year terms, with five being elected at each annual meeting.

Reuben McMillan Free Library Association is a not-for-profit private corporation which adopted its articles of incorporation in accordance with Ohio Revised Code Section 1713.28. The Library is funded primarily with public monies to provide free library service to the citizens of Mahoning County.

The Library was established October 27, 1880, under the name "The Youngstown Library Association", and officially changed in 1898 to "The Reuben McMillan Free Library Association".

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Library maintained a general operating account and a payroll clearing account. The Library also maintained two sweep accounts, and invested in U.S. Treasury Notes, both of which are valued at cost.

D. Fund Accounting

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

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

2. Special Revenue Funds

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

E-Rate Fund - This fund accounts for monies received from Ameritech for computer data lines.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital project funds:

Building and Repair Fund - Received monies from investment earnings, contributions, and transfers from the General Fund. Proceeds were used for buildings and building improvements.

Technology Development Fund - Received monies from investment earnings and transfers from the General Fund. Proceeds were used to purchase technological equipment.

5. Proprietary Fund (Internal Service Fund)

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Library had the following significant internal service fund:

Self-Insurance Fund - This fund accounts for employee medical benefits.

E. Budgetary Process

The Library's By-Laws require that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Library's By-Laws require the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. RECLASSIFICATION

In order to better manage self insurance activities, beginning in 1999 the Library started recording this activity in an Internal Service Fund. Previously this activity was recorded in the General Fund. The following reflects the effects this change had on fund balance and the excess of revenues over expenditures reported as of December 31, 1998:

	General Fund	Internal Service Fund
Fund Balance, 12/31/98	\$1,318,466	\$0
Excess of Revenues Over Expenditures	(45,822)	45,822
Reclassification of Internal Service Fund	(201,908)	201,908
Fund Balance, 1/1/99	\$1,070,736	\$247,730

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Library's By-Laws prescribe allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$(194,219)	(\$341,367)
Change funds	450	450
Total deposits	<u>(193,769)</u>	<u>(340,917)</u>
U.S. Treasury Notes	7,595,467	6,534,864
Repurchase Agreements (Sweep Accounts)	<u>3,867,104</u>	<u>2,302,426</u>
Total investments	<u>11,462,571</u>	<u>8,837,290</u>
Total deposits and investments	<u><u>\$11,268,802</u></u>	<u><u>\$8,496,373</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Library.

Investments: U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Repurchase agreements include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Library's name.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,523,721	\$11,523,721	\$0
Special Revenue	21,004	21,004	0
Debt Service	5,000	4,190	(810)
Capital Projects	3,486,252	3,486,252	0
Internal Service	483,422	483,261	(161)
Total	<u>\$15,519,399</u>	<u>\$15,518,428</u>	<u>(\$971)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,176,723	\$11,966,023	\$210,700
Special Revenue	17,407	17,407	0
Debt Service	135,400	134,323	1,077
Capital Projects	1,596,233	1,030,126	566,107
Internal Service	481,000	480,286	714
Total	<u>\$14,406,763</u>	<u>\$13,628,165</u>	<u>\$778,598</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,968,034	\$11,477,180	\$509,146
Debt Service	9,800	9,800	0
Capital Projects	3,100,000	3,100,000	0
Total	\$14,077,834	\$14,586,980	\$509,146

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,787,928	\$12,070,661	(\$282,733)
Debt Service	135,700	135,541	159
Capital Projects	1,073,781	1,022,276	51,505
Total	\$12,997,409	\$13,228,478	(\$231,069)

Note: Budgetary variances in the General Fund for 1998 are the result of an audit adjustment to reflect self-insurance fund activity in the General Fund which was previously off-book.

5. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library on account of any additional revenues realized by the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

8. SELF-INSURANCE (MEDICAL BENEFITS)

The Library has elected to provide major medical benefits through a self-insured program. Professional Risk Management acts in the capacity of a third-party administrator (T.P.A.) to pay for the said insurance coverage claims, and the maintenance of these benefits are accounted for in the Self-Insurance Internal Service Fund.

Continental Insurance Company is the stop/loss carrier for the payment of claims exceeding \$17,500 per individual and \$353,385 for the Library as a whole.



**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Reuben McMillan Free Library Association
Mahoning County
305 Wick Avenue
Youngstown, Ohio 44503

To the Board of Trustees:

We have audited the accompanying financial statements of the Reuben McMillan Free Library Association, Mahoning County, Ohio (the Library), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated May 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

May 1, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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REUBEN MCMILLAN FREE LIBRARY ASSOCIATION

MAHONING 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
MAY 23, 2000**