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1-1-2001

## Financial Statements, 2000

Ferguson Municipal Public Library District

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*Ferguson Municipal Public  
Library District*

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**FINANCIAL STATEMENTS**

**June 30, 2000**



**Grace & Company, LLP**  
Certified Public Accountants

***Ferguson Municipal Public  
Library District***

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**FINANCIAL STATEMENTS**

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**Ferguson Municipal Public Library District**

**FINANCIAL STATEMENTS**

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**Grace & Company, LLP**  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
***Ferguson Municipal Public Library District***  
St. Louis, Missouri

We have audited the accompanying financial statements of ***Ferguson Municipal Public Library District***, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of ***Ferguson Municipal Public Library District'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, ***Ferguson Municipal Public Library District*** prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and fund balance of ***Ferguson Municipal Public Library District*** as of June 30, 2000, and the revenues it received, expenditures it paid and changes in fund balance for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2000, on our consideration of ***Ferguson Municipal Public Library District's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note 2, the ***Ferguson Municipal Public Library District*** restated its beginning fund balance during the year ended June 30, 2000.

*Grace & Company, L.L.P.*

St. Louis, Missouri  
August 22, 2000

**Ferguson Municipal Public Library District**

**BALANCE SHEET - CASH BASIS**

**June 30, 2000**

	<u>CASH</u>	<u>General Fund</u>
Cash .....		<u>\$ 27,110</u>

	<u>FUND BALANCE</u>	
Unreserved Fund Balance .....		<u>\$ 27,110</u>

*The accompanying notes are an integral part of the financial statements.*

# Ferguson Municipal Public Library District

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS

Year Ended June 30, 2000

	<u>General Fund</u>
<b>Revenues:</b>	
Contributions .....	\$ 8,282
Fines and fees .....	18,078
Grants .....	29,730
Interest income .....	1,802
Other income .....	1,167
Property taxes .....	392,992
Total revenues .....	<u>452,051</u>
<b>Expenditures:</b>	
Audio-visuals .....	259
Automation .....	8,407
Books .....	22,516
Capital outlay .....	5,245
Computerized circulation system .....	7,091
Conferences .....	848
Employee insurance .....	8,608
Equipment .....	15,892
Library insurance .....	6,438
Maintenance .....	16,463
Miscellaneous .....	7,332
Municipal library cooperative .....	8,320
Pension contributions .....	5,653
Periodicals .....	5,867
Photocopier .....	4,719
Professional fees .....	4,713
Publicity .....	1,038
Salaries .....	170,952
Social security .....	13,011
Supplies and postage .....	6,125
Utilities .....	16,481
Debt service:	
Principal retirement .....	165,326
Interest and fiscal charges .....	20,119
Total expenditures .....	<u>521,423</u>
<b>Deficiency of Revenues Under Expenditures .....</b>	<b>(69,372)</b>
<b>Other Financing Sources:</b>	
Proceeds from issuance of notes payable .....	85,000
<b>Excess of Revenues and Other Financing Sources Over Expenditures .....</b>	<b>15,628</b>
<b>Fund Balance, Beginning of Year, as Restated (Note 2) .....</b>	<b>11,482</b>
<b>Fund Balance, End of Year .....</b>	<b>\$ 27,110</b>

*The accompanying notes are an integral  
part of the financial statements.*

# *Ferguson Municipal Public Library District*

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

Year Ended June 30, 2000

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Contributions .....	\$ -	\$ 8,282	\$ 8,282
Fines and fees .....	13,600	18,078	4,478
Grants .....	15,500	29,730	14,230
Interest income .....	1,500	1,802	302
Other Income .....	1,400	1,167	(233)
Property taxes .....	371,000	392,992	21,992
Total revenues .....	403,000	452,051	49,051
<b>Expenditures:</b>			
Audio-visuals .....	2,500	259	2,241
Automation .....	3,100	8,407	(5,307)
Books .....	35,000	22,516	12,484
Capital outlay .....	6,000	5,245	755
Computerized circulation system .....	13,300	7,091	6,209
Conferences .....	1,500	848	652
Employee insurance .....	9,000	8,608	392
Equipment .....	2,500	15,892	(13,392)
Library insurance .....	6,000	6,438	(438)
Maintenance .....	11,000	16,463	(5,463)
Miscellaneous .....	5,100	7,332	(2,232)
Municipal library cooperative .....	5,000	8,320	(3,320)
Pension contributions .....	7,000	5,653	1,347
Periodicals .....	5,900	5,867	33
Photocopier .....	3,500	4,719	(1,219)
Professional fees .....	3,500	4,713	(1,213)
Publicity .....	800	1,038	(238)
Salaries .....	193,249	170,952	22,297
Social security .....	15,315	13,011	2,304
Supplies and postage .....	5,000	6,125	(1,125)
Utilities .....	15,500	16,481	(981)
Debt service .....	160,000	185,445	(25,445)
Total expenditures .....	509,764	521,423	(11,659)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures .....</b>	<b>(106,764)</b>	<b>(69,372)</b>	<b>37,392</b>
<b>Other Financing Sources:</b>			
Proceeds from issuance of notes payable .....	110,000	85,000	(25,000)
<b>Excess of Revenues and Other Financing Sources Over Expenditures .....</b>	<b>\$ 3,236</b>	<b>\$ 15,628</b>	<b>\$ 12,392</b>

*The accompanying notes are an integral  
part of the financial statements.*



# **Ferguson Municipal Public Library District**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2000**

### **1. Summary of Significant Accounting Policies**

The Ferguson Municipal Public Library District (the Library) began as a volunteer, community library. The Library was started by fourteen charter members of Chapter FH of the P.E.O. Sisterhood. With an initial collection of 575 books, the Library officially opened June 1, 1930. In September of 1934, a City Ordinance was passed providing for the maintenance of a public library. At that time a Board of Trustees was established. In 1945, the Ferguson City Board of Aldermen passed an ordinance that provided for a Library property tax of 1 cent per \$100 of assessed valuation, establishing the Library as a tax-supported entity. In 1964, the voters of the City of Ferguson approved a bill that established the Municipal Library District. In October of 1965, the Missouri State Legislature enacted legislation that legalized existing municipal library districts, freezing existing boundaries for these districts. The Missouri Statute states, "Each such district shall be a political subdivision of the State of Missouri and a body corporate with all powers and rights of like and similar corporations...and all of the taxable property located in the municipal library district shall only be subject to taxation by the municipal library district and shall hereafter not be subject to taxation by the county library district, etc." The Library is governed by a board of trustees appointed by the City of Ferguson, Missouri (the City). The City exercises no oversight responsibility and has no accountability for fiscal matters of the Library.

#### **The Financial Reporting Entity**

The Library has developed criteria to determine whether outside entities with activities which benefit the Library should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the Library exercises financial responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special relationships.

The Library has determined that no outside entity meets the above criteria and, therefore, no other agency has been included as a component unit in the Library's financial statements.

#### **Basis of Accounting**

The Library maintains its accounting records on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Library recognizes revenue when received and expenditures when paid. Disbursements for capital items are recorded as expenditures in the year incurred. Proceeds from and payments of all debt are recorded solely as other financing sources and debt service expenditures, respectively. No account groups are utilized.

# **Ferguson Municipal Public Library District**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2000**

### **1. Summary of Significant Accounting Policies, (Continued)**

#### **Fund Accounting**

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's cash, fund equity, revenues and expenditures. The financial statements of the Library include the following:

#### **General Fund**

The General Fund is the general operating fund of the Library. It is used to account for all financial resources.

Because of the nature of the Library's activities and the basis of accounting (cash basis) utilized by the Library, no additional funds or account groups are required.

#### **Budgets and Budgetary Accounting**

The statement of revenues and expenditures - budget and actual presents comparisons of legally adopted budgets with actual data. The Board of Trustees approves total budget appropriations. Unused appropriations for all budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

#### **Cash**

Cash consists of checking and savings accounts. Cash deposits are stated at cost at June 30, 2000. The carrying amount of these deposits was \$27,110 and the bank balance was \$54,295 at June 30, 2000. The deposits are insured by the Federal Deposit Insurance Corporation.

# Ferguson Municipal Public Library District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2000

### 1. Summary of Significant Accounting Policies, (Continued)

#### Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on November 1 of each year based on the assessed value as of the prior December 31 for all real and personal property located within the Library District. Payment is due upon receipt of billing and becomes delinquent after December 31. Property taxes are billed and collected by St. Louis County, and remitted by the County to the Library.

The assessed valuation of the tangible taxable property for the year ended June 30, 2000 for purposes of local taxation is as follows:

Real Estate .....	\$ 129,131,048
Personal Property .....	<u>42,759,073</u>
	<u>\$ 171,890,121</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the year ended June 30, 2000 for purposes of local taxation was \$.22.

### 2. Fund Balance

The following discloses the restatement of fund balance as of the beginning of the fiscal year:

	<u>General Fund</u>
Fund Balance, Beginning of Year, as Previously Stated .....	\$ 12,984
Decrease Resulting From Change in Accounting Method (Modified Cash Basis to Cash Basis) .....	<u>(1,502)</u>
Fund Balance, Beginning of Year, as Restated .....	<u>\$ 11,482</u>

# **Ferguson Municipal Public Library District**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2000**

### **3. Retirement Plan**

#### **Plan Description**

Ferguson Municipal Public Library District participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

#### **Funding Policy**

Ferguson Municipal Public Library District's full-time employees contribute 4% of gross salary to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 4.5% of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

#### **Annual Pension Cost**

For 2000, the political subdivision's annual pension cost of \$9,561 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1998 and/or 1999 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) rate of return on the investment of present and future assets of 7.0% per year, compounded annually, before retirement, and 4.0% per year, compounded annually, after retirement (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age, attributable to seniority/merit, and (d) pre- and post-retirement mortality based on the 1984 Group Annuity Mortality table set back no years for men and 6 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2000 was 15 years.

# Ferguson Municipal Public Library District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2000

### 3. Retirement Plan, (Continued)

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/98	\$ 12,446	100%	\$ -
06/30/99	\$ 12,397	100%	\$ -
06/30/00	\$ 9,561	100%	\$ -

#### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percent of Covered Payroll</u>
02/28/98	\$ 189,431	\$ 202,451	\$ 13,020	94%	\$ 133,987	10%
02/28/99	\$ 222,546	\$ 218,591	\$ (3,955)	102%	\$ 140,241	N/A
02/28/00	\$ 182,707	\$ 146,052	\$ (36,655)	125%	\$ 104,166	N/A

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 1996 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

# Ferguson Municipal Public Library District

## NOTES TO FINANCIAL STATEMENTS

June 30, 2000

### 4. Library Building Acquisition and Refinancing

In 1995, the Library purchased a building which serves as its operating facility. The purchase price of the building was \$395,000. The financing of the new building and related expenditures were accomplished by means of a lease/purchase agreement with a bank. The Library at all times held title to the building. The original term, including options, of the lease/payment agreement extended until the earlier of the final rental payment or March 1, 2002.

On September 15, 1998, the Library refinanced the lease/purchase agreement by issuing a \$300,000 note to a bank. The note is a one-year note to be renewed annually over a period of eight years. Based on the current amendment and extension agreement, interest is paid monthly at an annual rate of 6.25%. An annual principal payment of \$37,500 is due March 15 of each year ending March 15, 2006. The note is secured by the building and all of the accounts of the Library.

The annual projected payment schedule for the note payable based on an interest rate of 6.25% as of June 30, 2000, is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001 .....	\$ 37,500	\$ 13,477	\$ 50,977
2002 .....	37,500	11,133	48,633
2003 .....	37,500	8,789	46,289
2004 .....	37,500	6,445	43,945
2005 .....	37,500	4,102	41,602
Thereafter.....	37,500	1,758	39,258
	<u>\$ 225,000</u>	<u>\$ 45,704</u>	<u>\$ 270,704</u>

# **Ferguson Municipal Public Library District**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2000**

### **5. Municipal Library Consortium**

The Library is a member of the Municipal Library Consortium of St. Louis County, an association of independent municipal libraries.

The purpose of the Consortium is to develop and maintain a shared automated catalog system and to provide to the citizens of the various member districts opportunities to access developing information technologies. The original members are the Brentwood, Ferguson, Kirkwood, Richmond Heights, Rock Hill, University City, Valley Park, Webster Groves and Maplewood Libraries.

The Consortium has full ownership of all system hardware, software, peripherals and other property relating to the central site automated system, which is located at the University City Library. Each member is responsible for maintaining its own terminals, data transmission devices, barcodes, printers, and other peripheral equipment.

Each member pays its proportionate share of the automated system's costs according to its percentage of ports in the total system, its percentage of bibliographic records, and its percentage of the prior year's total circulation for all Consortium members.

It is not intended that the Consortium shall act for profit. Net assets, if any, will be distributed to members in the event of termination. The Consortium's fiscal year is from July 1 to June 30.

### **6. Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library purchases commercial insurance for all risks of loss. The Library has not significantly reduced the amount of insurance coverage it maintains from that of prior years. Settlement amounts have not exceeded insurance coverage amounts.

### **7. Subsequent Event**

The Library entered into a \$90,000 Tax Anticipation Note (line of credit) with Firststar Bank on July 24, 2000. Amounts outstanding on this line of credit, along with any accrued interest at a rate of 66% of the prime rate, are due on February 1, 2001. As of our report date the Library had not drawn down any amounts on this line of credit. The line of credit is secured by anticipated property taxes.



**Grace & Company, LLP**  
Certified Public Accountants

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

To the Board of Trustees  
*Ferguson Municipal Public Library District*  
St. Louis, Missouri

We have audited the financial statements of the *Ferguson Municipal Public Library District* as of and for the year ended June 30, 2000, and have issued our report thereon dated August 22, 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 *Ferguson Municipal Public Library District'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 the *Ferguson Municipal Public Library District'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect *Ferguson Municipal Public Library District's* ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the items described in the Schedule of Findings to be material weaknesses.

This report is intended solely for the information and use of the audit committee and management. However, this report is a matter of public record and its distribution is not limited.

*Grace & Company, L.L.P.*

St. Louis, Missouri  
August 22, 2000



# **Ferguson Municipal Public Library District**

## **SCHEDULE OF FINDINGS**

**Year Ended June 30, 2000**

### **Accounting System and Internal Controls**

**Condition** - During the audit we noted the following deficiencies regarding the Library's accounting system and internal controls:

- A general ledger is maintained but is not prepared using a double entry system of accounting (debit and credit). No balance sheet is prepared. Revenues and expenditures are not accounted for accurately.
- Property/fixed asset records do not include cost amounts and dates items were placed into service.
- No formal procurement policy was noted to exist or to be utilized by the Library. (It should be noted that the Board of Trustees is currently in the process of addressing this issue.)
- Authorizations for certain disbursements were not properly documented. Certain "paid" invoices were not properly cancelled.

It should be noted that the Library has improved its accounting system and internal controls from the prior year.

**Criteria** - Governmental Units are responsible for establishing and maintaining an internal control structure. The objectives of this internal control structure are to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with, in this instance, the cash basis of accounting.

**Cause** - The previous management did not take the steps necessary to ensure an effective internal control environment was established and maintained. Current management is still in the process of developing and implementing procedures which will establish an effective internal control environment.

**Effects** - Reports provided to the Board of Trustees are not accurate and/or timely. As a result, the Board of Trustees is not in a position to make informed decisions. Additionally, safeguards over Library assets are not adequate.

**Recommendations** - In order to correct the deficiencies in the Library's accounting system and internal controls, we recommend the following:

- The Library should obtain and implement a general ledger software system. (The Library has obtained a general ledger software package that they began utilizing in fiscal year 2001.)
- The Library should include in its property/fixed asset schedules the cost and date placed in service for each item. We suggest that the Library compile and include in the property/fixed asset schedules the aforementioned information for items acquired in fiscal year 2000 and for all subsequent years.
- The Board of Trustees should develop, approve, and implement a formal procurement policy.