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Financial Statements, 2001

Ferguson Municipal Public Library District

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Ferguson Municipal Public Library District

FINANCIAL STATEMENTS

June 30, 2001



Grace & Company LLP
Certified Public Accountants

Ferguson Municipal Public Library District

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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, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, 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 31, 2001, 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.

Grace & Company, L.L.P.

St. Louis, Missouri
August 31, 2001

Ferguson Municipal Public Library District

BALANCE SHEET - CASH BASIS

June 30, 2001

General Fund

Cash and Cash Equivalents..... \$ 113,318

Unreserved Fund Balance \$ 113,318

*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, 2001

	<u>General Fund</u>
Revenues:	
Contributions	\$ 4,689
Fines and fees	15,280
Grants.....	21,315
Interest income.....	2,792
Other income	3,502
Property taxes	377,925
Total revenues.....	<u>425,503</u>
Expenditures:	
Audio-visuals.....	1,420
Books	20,550
Capital outlay.....	10,374
Conferences	710
Consortium/network	16,176
Employee insurance.....	10,037
Library insurance	4,446
Maintenance.....	11,472
Miscellaneous	2,014
Pension contributions.....	5,300
Periodicals.....	6,243
Photocopier	2,063
Professional fees	15,079
Publicity.....	316
Salaries.....	147,534
Social security.....	11,035
Supplies and postage.....	7,138
Utilities	16,540
Debt service:	
Principal retirement	106,789
Interest	17,059
Total expenditures	<u>412,295</u>
Excess of Revenues Over Expenditures	13,208
Other Financing Sources:	
Proceeds from issuance of notes payable	<u>73,000</u>
Excess of Revenues and Other Financing Sources Over Expenditures	86,208
Fund Balance, Beginning of Year	27,110
Fund Balance, End of Year	<u>\$ 113,318</u>

*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, 2001

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Contributions	\$ -	\$ 4,689	\$ 4,689
Fines and fees	13,650	15,280	1,630
Grants.....	11,150	21,315	10,165
Interest income	1,500	2,792	1,292
Other income	650	3,502	2,852
Property taxes	368,000	377,925	9,925
Total revenues	<u>394,950</u>	<u>425,503</u>	<u>30,553</u>
Expenditures:			
Audio-visuals	2,500	1,420	1,080
Books	40,500	20,550	19,950
Capital outlay	5,000	10,374	(5,374)
Conferences	1,000	710	290
Consortium/network	20,600	16,176	4,424
Employee insurance.....	10,288	10,037	251
Library insurance.....	6,300	4,446	1,854
Maintenance.....	12,500	11,472	1,028
Miscellaneous	2,035	2,014	21
Pension contributions.....	7,043	5,300	1,743
Periodicals	6,300	6,243	57
Photocopier	3,500	2,063	1,437
Professional fees	10,000	15,079	(5,079)
Publicity.....	1,000	316	684
Salaries.....	163,320	147,534	15,786
Social security.....	10,564	11,035	(471)
Supplies and postage.....	5,500	7,138	(1,638)
Utilities	16,000	16,540	(540)
Debt service	150,000	123,848	26,152
Total expenditures.....	<u>473,950</u>	<u>412,295</u>	<u>61,655</u>
Excess (Deficiency) of Revenues Over Expenditures	(79,000)	13,208	92,208
Other Financing Sources:			
Proceeds from issuance of notes payable ...	<u>90,000</u>	<u>73,000</u>	<u>(17,000)</u>
Excess of Revenues and Other Financing Sources Over Expenditures.....	\$ <u>11,000</u>	\$ <u>86,208</u>	\$ <u>75,208</u>

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

Ferguson Municipal Public Library District

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

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, 2001

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 and Cash Equivalents

Cash and cash equivalents consists of checking and savings accounts. Cash deposits are stated at cost at June 30, 2001. The carrying amount of these deposits was \$113,318 and the bank balance was \$126,149 at June 30, 2001. The deposits are in excess of the insurance provided by the Federal Deposit Insurance Corporation.

Ferguson Municipal Public Library District

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

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, 2001 for purposes of local taxation is as follows:

Real Estate	\$ 128,506,631
Personal Property	<u>45,387,443</u>
	<u>\$ 173,894,074</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the year ended June 30, 2001 for purposes of local taxation was \$.22.

2. 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.

Ferguson Municipal Public Library District

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

2. Retirement Plan, (Continued)

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 3.7% 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 2001, the political subdivision's annual pension cost of \$10,464 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1999 and/or 2000 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 7.5% 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 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table, and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 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 28, 2001 was 15 years.

Ferguson Municipal Public Library District

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

2. 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>
06/30/99	\$ 12,397	100%	\$ -
06/30/00	\$ 9,561	100%	\$ -
06/30/01	\$ 10,464	100%	\$ -

Schedule of Funding Progress

	(a)	(b)	(b-a)		[(b-a)/c]	
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	UAL as a Percent of Covered Payroll
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
02/28/01	\$ 168,115	\$ 113,051	\$ (55,064)	149%	\$ 115,186	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 28, 2001 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, 2001

3. 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 7.2%. An annual principal payment of \$37,500 is due April 15 of each year ending April 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 7.2% 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>
2002	\$ 37,500	\$ 13,050	\$ 50,550
2003	37,500	10,350	47,850
2004	37,500	7,650	45,150
2005	37,500	4,950	42,450
2006	37,500	2,250	39,750
	<u>\$ 187,500</u>	<u>\$ 38,250</u>	<u>\$ 225,750</u>

Ferguson Municipal Public Library District

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

4. Note Payable

The Library has an unsecured \$75,000 line of credit with Firststar Bank expiring July 30, 2002. Interest is payable monthly at a rate of 5%. At June 30, 2001, no amounts were outstanding under this line of credit.

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, Maplewood, Richmond Heights, Rock Hill, University City, Valley Park, and Webster Groves 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.



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, 2001, and have issued our report thereon dated August 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 reportable conditions described in the accompanying 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 31, 2001

Ferguson Municipal Public Library District

SCHEDULE OF FINDINGS

Year Ended June 30, 2001

Accounting Systems and Internal Controls

Conditions - During the audit we noted the following deficiencies regarding the Library's accounting systems and internal controls:

- No physical inventory was performed on fixed assets by the Library. The property/fixed asset records were not updated for current year additions/deletions. The property/fixed asset records were not reconciled with the general ledger capital outlay accounts. Also, the records do not include cost amounts and transaction dates.
- Bank reconciliations for two cash accounts did not agree to the general ledger.
- Payroll runs are processed before the completion of the payroll period to which they pertain.
- The Library does not maintain records detailing employee vacation and sick days earned.
- Board minutes are not maintained in an organized manner. In some instances minutes could not be located and/or provided by the Library.
- The Library did not remit payments on its debt in a timely and organized manner.
- The Library overstated salaries when completing the monthly LAGERS (Local Area Government Employees Retirement System) reports.

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

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 that will establish an effective internal control environment.

Effects - The following effects are a result of the various conditions that were noted:

- Safeguards over assets are not adequate.
- Processing payroll is unnecessarily complicated, requiring numerous adjustments.
- The Library does not have an accurate accounting of the number of vacation and sick days that are owed to Library employees.
- The Library also does not have an accurate accounting of the events occurring at the meetings of the Board of Trustees.
- Confusion regarding principal and interest amounts was created at the bank. The Library incurred expenditures for late payment charges assessed by the bank.
- The Library overpaid into LAGERS as a result of overstating salaries on the monthly retirement system reports.

Ferguson Municipal Public Library District

SCHEDULE OF FINDINGS

Year Ended June 30, 2001

Accounting Systems and Internal Controls, (Continued)

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

- The Library should perform a physical inventory of property every year. Based on this physical inventory, the Library should then update its perpetual property listing, reconciling the additions/deletions appearing on the listing to the capital outlay accounts on the general ledger. The Library should include cost amounts and transaction dates on its perpetual property listing.
- Library management should periodically review the accuracy of the bank reconciliations generated by the accounting staff of the Library. Also, since some of the bank reconciliation problems were related to the accounting staff's inability to properly utilize the Library's accounting software, Library staff and management should continue its efforts to become more proficient at utilizing the accounting software.
- Payroll should not be processed by the Library's accounting staff until after the applicable payroll period has ended. The payroll run should be based on the actual hours worked by each employee.
- The Library should develop and maintain schedules that detail vacation and sick days earned by Library employees. The schedules should be periodically reviewed by management and each employee to ensure accuracy.
- The Library should take the steps necessary to ensure that the Board Minutes are maintained in a timely and organized manner.
- The Library should take the steps necessary to ensure that payments on its debt are remitted in a timely and organized manner.
- Library personnel should periodically reconcile the reports submitted to LAGERS to the payroll records.