



Dave Yost • Auditor of State



**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

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MERCER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Rockford Carnegie Library  
Mercer County  
PO Box 330  
Rockford, Ohio 45882

To the Board of Trustees:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Rockford Carnegie Library, Mercer County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of Rockford Carnegie Library, Mercer County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General and Memorial funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Library's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, 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

June 30, 2014

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED**

This discussion and analysis of the Rockford Carnegie Public Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2013 and 2012, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2013 and 2012 are as follows:

- Net assets of governmental activities increased \$15,727 or 23 percent during 2013, and \$14,544 or 28 percent during 2012. The fund most affected by the increase in cash was the General Fund.
- The Library's general receipts are primarily public library funds and property taxes. These receipts represent respectively 66 and 28 percent for 2013 of the total cash received for governmental activities during the year. In 2012 the public library fund was 64 percent and property taxes were 28 percent of total cash received. Public library fund receipts and property tax receipts for 2013 changed very little compared to 2012 and from 2012 to 2011 as development within the Rockford Library area has slowed and public library money have been frozen.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Rockford Library Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**Reporting the Rockford Library as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the Rockford Library's property tax base, the condition of the Rockford Library's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and local library funding.

In the statement of net position and the statement of activities, the Library reports one type of activity:

**Governmental activities** All of the Rockford Library's basic services are reported here. Benefits provided through Rockford Library activities are not necessarily paid for by the people receiving them.

**Reporting the Rockford Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

**Governmental Funds** - The Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major funds are the General Fund, Memorial Fund, and Technology Project fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**The Rockford Library as a Whole**

Table 1 provides a summary of the Library's net positions for 2013 compared to 2012 and 2011 on a cash basis:

**(Table 1)  
Net Position**

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$83,115	\$67,388	\$52,844
Total Assets	<u>\$83,115</u>	<u>\$67,388</u>	<u>\$52,844</u>
<b>Net Position:</b>			
<b>Restricted for:</b>			
Debt Service			
Capital Outlay	12,472	12,472	12,472
Other Purposes	14,356	16,656	24,387
Unrestricted	56,287	38,260	15,985
Total Net Position	<u>\$83,115</u>	<u>\$67,388</u>	<u>\$52,844</u>

As mentioned previously, net positions of Rockford Library activities increased \$15,727 or 23 percent during 2013, and \$14,544 or 28 percent during 2012. The primary reasons contributing to the increases in cash balances are as follows:

- Public library fund receipts showed a slight increase. Property tax receipts remained the same.
- Health insurance premiums decreased substantially as one employee switched from a family plan to a single plan and another employee obtained insurance from another source.

Table 2 reflects the changes in net position on a cash basis in 2013, 2012, and 2011 for governmental activities.

**(Table 2)  
Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services and Sales	\$1,716	\$1,804	\$1,667
Operating Grants and Contributions	8,884	9,014	9,423
Total Program Receipts	<u>10,600</u>	<u>10,818</u>	<u>11,090</u>

(Continued)

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Position  
(Continued)**

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>General Receipts:</b>			
Property and Other Local Taxes	61,570	61,470	60,660
Unrestricted Gifts and Contributions	50	2,030	15,366
Grants and Entitlements Not Restricted to Specific Programs	145,578	142,261	150,797
Interest	91	98	120
Miscellaneous	2,219	5,664	753
Total General Receipts	<u>209,508</u>	<u>211,523</u>	<u>227,696</u>
Total Receipts	<u>220,108</u>	<u>222,341</u>	<u>238,786</u>
<b>Disbursements:</b>			
Public Services and Programs	198,531	207,797	207,304
Capital Outlay	5,850		3,029
Total Disbursements	<u>204,381</u>	<u>207,797</u>	<u>210,333</u>
Increase (Decrease) in Net Assets	15,727	14,544	28,453
Net Position, January 1	67,388	52,844	24,391
Net Position, December 31	<u>\$83,115</u>	<u>\$67,388</u>	<u>\$52,844</u>

Program receipts represent 5 percent of total receipts for both 2013 and 2012.

General receipts represent 95 percent of the Library's total receipts for both 2013 and 2012 and of this amount 99 and 96 percent for 2013 and 2012 respectively, are from the public library fund and property taxes. The majority of the other receipts are from interest earnings and donations which are somewhat unpredictable.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for library services. These include salaries, benefits, books, and materials as well as other operating expenses.

**Rockford Library Activities**

The Rockford Library only has one major service and that is to provide the residents of the area access to free books and materials as well as free access to the internet.

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
Pubic Services and Support	\$198,531	(\$187,931)	\$207,797	(\$196,979)	\$207,304	(\$196,214)
Capital Outlay	5,850	(5,850)			3,029	(3,029)
Total Expenses	<u>\$204,381</u>	<u>(\$193,781)</u>	<u>\$207,797</u>	<u>(\$196,979)</u>	<u>\$210,333</u>	<u>(\$199,243)</u>

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
UNAUDITED  
(Continued)**

The dependence upon library and local government support is apparent as 95 percent of governmental activities are supported through these general receipt for 2013 and 2012.

**The Library's Funds**

The Library's funds are accounted for using the cash basis of accounting.

The Library's governmental funds reported a combined fund balance of \$83,115 and \$67,388 for 2013 and 2012 respectively.

The General Fund had total cash receipts of \$220,108 and \$222,341, for 2013 and 2012 respectively. The cash disbursements of the General Fund totaled \$202,081 and \$200,066 for 2013 and 2012 respectively. The fund balance of the General Fund increased by \$18,027 and \$22,275 in 2013 and 2012 respectively, as the result of decreased costs for salaries and benefits and slight increases in various revenue sources.

The Memorial Fund expenditures were \$2,300 and \$7,731 in 2013 and 2012 respectively. The fund balance of the Memorial Fund decreased by the amounts stated above.

**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements for 2013 were budgeted at \$225,458 while actual disbursements were \$205,082. Final disbursements and other financing uses for 2012 were budgeted at \$235,534 while actual disbursements were \$210,272. Spending less than was budgeted is the result of monitoring the expenditures.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. We rely heavily on the public library funds and property taxes. Our newly prepared financial forecast predicts that if local government funding remains as predicted, library spending will remain steady.

**Contacting the Rockford Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Maurer, Fiscal Officer, Rockford Carnegie Public Library, 162 S. Main Street Rockford, Ohio 45882.

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**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2013**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$83,115
Total Assets	<u>83,115</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	12,472
Other Purposes	14,356
Unrestricted	56,287
Total Net Positions	<u>\$83,115</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Positon</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	\$198,531	\$1,716	\$8,884	(\$187,931)
Capital Outlay	5,850			(5,850)
Total Governmental Activities	204,381	1,716	8,884	(193,781)
<b>General Receipts:</b>				
Property Taxes				61,570
Unrestricted Gifts and Contributions				50
Grants and Entitlements not Restricted to Specific Programs				145,578
Earnings on Investments				91
Miscellaneous				2,219
Total General Receipts, Contributions to Permanent Fund, Special Items, Extraordinary Items, Transfers and Advances				209,508
Change in Net Positon				15,727
Net Position Beginning of Year				67,388
Net Position End of Year				\$83,115

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Technology Project Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$56,287	\$14,356	\$12,472	\$83,115
Total Assets	<u>56,287</u>	<u>14,356</u>	<u>12,472</u>	<u>83,115</u>
<b>Fund Cash Balance, December 31:</b>				
Restricted		14,356	12,472	26,828
Committed	20,690			20,690
Assigned	3,001			3,001
Unassigned (Deficit)	32,596			32,596
Fund Cash Balance, December 31	<u>\$56,287</u>	<u>\$14,356</u>	<u>\$12,472</u>	<u>\$83,115</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General Fund</b>	<b>Memorial Fund</b>	<b>Technology Project Fund</b>	<b>Total</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$61,570			\$61,570
Public Library	145,578			145,578
Intergovernmental	8,884			8,884
Patron Fines and Fees	1,716			1,716
Contributions, Gifts and Donations	50			50
Earnings on Investments	91			91
Miscellaneous	2,219			2,219
<b>Total Receipts</b>	<b>220,108</b>			<b>220,108</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Library Services:</b>				
Public Services and Programs	196,231	\$2,300		198,531
Capital Outlay	5,850			5,850
<b>Total Disbursements</b>	<b>202,081</b>	<b>2,300</b>		<b>204,381</b>
Excess of Receipts Over (Under) Disbursements	18,027	(2,300)		15,727
Fund Balances Beginning of Year	38,260	16,656	\$12,472	67,388
Fund Balances End of Year	<u>\$56,287</u>	<u>\$14,356</u>	<u>\$12,472</u>	<u>\$83,115</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$70,270	\$70,270	\$61,570	(\$8,700)
Public Library	146,165	146,165	145,578	(587)
Intergovernmental	9,400	9,400	8,884	(516)
Patron Fines and Fees	2,500	2,500	1,716	(784)
Contributions, Gifts and Donations			50	50
Earnings on Investments			91	91
Miscellaneous	675	675	2,219	1,544
Total receipts	<u>229,010</u>	<u>229,010</u>	<u>220,108</u>	<u>(8,902)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	214,370	219,498	199,232	20,266
Capital Outlay	5,960	5,960	5,850	110
Total Disbursements	<u>220,330</u>	<u>225,458</u>	<u>205,082</u>	<u>20,376</u>
Excess of Receipts Over (Under) Disbursements	<u>8,680</u>	<u>3,552</u>	<u>15,026</u>	<u>11,474</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Uses	<u>(14,000)</u>	<u>(8,872)</u>		<u>8,872</u>
Total Other Financing Sources (Uses)	<u>(14,000)</u>	<u>(8,872)</u>		<u>8,872</u>
Net Change in Fund Balance	(5,320)	(5,320)	15,026	20,346
Unencumbered Cash Balance Beginning of Year	28,054	28,054	28,054	
Prior Year Encumbrances Appropriated	<u>10,206</u>	<u>10,206</u>	<u>10,206</u>	
Unencumbered Cash Balance End of Year	<u>\$32,940</u>	<u>\$32,940</u>	<u>\$53,286</u>	<u>\$20,346</u>

See accompanying notes to the basic financial statements.

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
MEMORIAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Disbursements:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	\$269	\$269	\$2,300	(\$2,031)
Total Disbursements	<u>269</u>	<u>269</u>	<u>2,300</u>	<u>(2,031)</u>
Excess of Receipts Over (Under) Disbursements	<u>(269)</u>	<u>(269)</u>	<u>(2,300)</u>	<u>(2,031)</u>
Unencumbered Cash Balance Beginning of Year	13,756	13,756	13,756	
Prior Year Encumbrances Appropriated	<u>2,900</u>	<u>2,900</u>	<u>2,900</u>	
Unencumbered Cash Balance End of Year	<u><u>\$16,387</u></u>	<u><u>\$16,387</u></u>	<u><u>\$14,356</u></u>	<u><u>(\$2,031)</u></u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$67,388
Total Assets	<u>67,388</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	12,472
Other Purposes	16,656
Unrestricted	38,260
Total Net Position	<u>\$67,388</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Program Cash Receipts</b>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental Activities:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	\$207,797	\$1,804	\$9,014	
<b>Total Governmental Activities</b>	<b>\$207,797</b>	<b>\$1,804</b>	<b>\$9,014</b>	
			(\$196,979)	
			(196,979)	
<b>General Receipts:</b>				
Property Taxes			61,470	
Unrestricted Gifts and Contributions			2,030	
Grants and Entitlements not Restricted to Specific Programs			142,261	
Earnings on Investments			98	
Miscellaneous			5,664	
<b>Total General Receipts</b>			<b>211,523</b>	
Change in Net Position			14,544	
Net Position Beginning of Year			52,844	
Net Position End of Year			<b>\$67,388</b>	

See accompanying notes to the basic financial statements.

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Technology Project Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$38,260	\$16,656	\$12,472	\$67,388
Total Assets	<u>38,260</u>	<u>16,656</u>	<u>12,472</u>	<u>67,388</u>
<b>Fund Cash Balance, December 31:</b>				
Restricted		16,656	12,472	29,128
Committed	4,000			4,000
Assigned	6,206			6,206
Unassigned (Deficit)	28,054			28,054
Fund Cash Balance, December 31	<u>\$38,260</u>	<u>\$16,656</u>	<u>\$12,472</u>	<u>\$67,388</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Memorial Fund</u>	<u>Technology Project Fund</u>	<u>Total</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$61,470			\$61,470
Public Library	142,261			142,261
Intergovernmental	8,857			8,857
Patron Fines and Fees	1,804			1,804
Contributions, Gifts and Donations	2,187			2,187
Earnings on Investments	98			98
Miscellaneous	5,664			5,664
Total Receipts	<u>222,341</u>			<u>222,341</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	<u>200,066</u>	<u>\$7,731</u>		<u>207,797</u>
Total Disbursements	<u>200,066</u>	<u>7,731</u>		<u>207,797</u>
Excess of Receipts Over (Under) Disbursements	<u>22,275</u>	<u>(7,731)</u>		<u>14,544</u>
Fund Balances Beginning of Year	<u>15,985</u>	<u>24,387</u>	<u>\$12,472</u>	<u>52,844</u>
Fund Balances End of Year	<u><u>\$38,260</u></u>	<u><u>\$16,656</u></u>	<u><u>\$12,472</u></u>	<u><u>\$67,388</u></u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$68,642	\$68,642	\$61,470	(\$7,172)
Public Library	142,261	142,261	142,261	
Intergovernmental	9,890	9,890	8,857	(1,033)
Patron Fines and Fees	2,014	2,014	1,804	(210)
Contributions, Gifts and Donations	2,442	2,442	2,187	(255)
Earnings on Investments	110	110	98	(12)
Miscellaneous	6,325	6,325	5,664	(661)
Total receipts	<u>231,684</u>	<u>231,684</u>	<u>222,341</u>	<u>(9,343)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	225,534	229,649	206,272	23,377
Capital Outlay		4,000	4,000	
Total Disbursements	<u>225,534</u>	<u>233,649</u>	<u>210,272</u>	<u>23,377</u>
Excess of Receipts Over (Under) Disbursements	<u>6,150</u>	<u>(1,965)</u>	<u>12,069</u>	<u>14,034</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Uses	<u>(10,000)</u>	<u>(1,885)</u>		1,885
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(1,885)</u>		1,885
Net Change in Fund Balance	(3,850)	(3,850)	12,069	15,919
Unencumbered Cash Balance Beginning of Year	10,062	10,062	10,062	
Prior Year Encumbrances Appropriated	<u>5,923</u>	<u>5,923</u>	<u>5,923</u>	
Unencumbered Cash Balance End of Year	<u>\$12,135</u>	<u>\$12,135</u>	<u>\$28,054</u>	<u>\$15,919</u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE LIBRARY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
MEMORIAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Disbursements:</b>				
<b>Current:</b>				
Library Services				
Public Services and Programs	\$8,000	\$8,000	\$10,631	(\$2,631)
Total Disbursements	<u>8,000</u>	<u>8,000</u>	<u>10,631</u>	<u>(2,631)</u>
Excess of Receipts Over (Under) Disbursements	<u>(8,000)</u>	<u>(8,000)</u>	<u>(10,631)</u>	<u>(2,631)</u>
Unencumbered Cash Balance Beginning of Year	24,387	24,387	24,387	
Prior Year Encumbrances Appropriated				
Unencumbered Cash Balance End of Year	<u><u>\$16,387</u></u>	<u><u>\$16,387</u></u>	<u><u>\$13,756</u></u>	<u><u>(\$2,631)</u></u>

*See accompanying notes to the basic financial statements.*

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY**

The Rockford Carnegie Public Library (the Library) was organized as a school district public library in 1927 under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees appointed by the Parkway Local School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

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 Parkway Local School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Rockford Carnegie Public Library, Inc. 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. Therefore, this organization has been excluded from the reporting entity of the Library.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this note, the financial statements of the Rockford Carnegie Public Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

**2. Fund Financial Statements**

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**B. 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 Library's funds are all classified as governmental.

**1. Governmental Funds**

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds.

**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.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Memorial Fund** - This fund is used to record substantial donations to the library and for expenditures for the memorial donation.

**Technology Project Fund** - This fund accounts 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.

**C. Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2012 and 2013 there were no investments. All cash was in the checking account.

**F. Inventory and Prepaid Items**

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Capital assets are recorded when purchased. No depreciation is taken.

**H. Fund Balance**

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

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** - Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for capital projects and memorial fund donations.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

**3. ACCOUNTABILITY AND COMPLIANCE**

**Compliance**

Contrary to Ohio law, the Memorial fund had expenditures of \$10,631 and appropriations of \$8,000 in 2012 and expenditures of \$2,300 and appropriations of \$269 in 2013.

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and memorial fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis.) The encumbrances outstanding at year end 2013 and 2012 (budgetary basis) amounted to \$3,001 and \$10,206 respectively for the General Fund. The encumbrances outstanding for the Memorial Fund at year end 2012 were \$2,900.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits**

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2013 and 2012, was \$1.00 per \$1,000 of assessed value for each year. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

	<u>2013</u>	<u>2012</u>
Real Property	\$82,873,810	\$82,450,980
Public Utility Personal Property	3,204,250	2,709,420
Total	<u>\$86,078,060</u>	<u>\$85,160,400</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. 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. During 2013, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Motorist Insurance Company	Property	\$899,891
	General Liability, in aggregate	3,000,000
	General Liability, per occurrence	1,000,000

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**8. DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Library's contribution rate for 2013 and 2012 was 14.0 percent for both years. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 1 percent for 2013 and 4 percent for 2012. Employer contribution rates are actuarially determined.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The Library's required contributions to the Traditional Pension Plan for the years ended December 31, 2013, 2012, and 2011 were \$11,806, \$8,858, and \$8,467, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

**9. POST-EMPLOYMENT BENEFITS**

**Plan Description** – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**Funding Policy** – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14.0 percent for both years of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1 percent for 2013 and 4 percent for 2012.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$908, \$3,543, and \$3,387, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

**10. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>December 31, 2013 Fund Balances</b>	<b>General</b>	<b>Memorial Fund</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b>Restricted for:</b>				
Memorial		\$14,356		\$14,356
Capital Improvements			\$12,472	12,472
Total Restricted		14,356	12,472	26,828
<b>Committed to:</b>				
Building repairs	\$20,690			20,690
<b>Assigned to:</b>				
Encumbrances	3,001			3,001
<b>Unassigned (Deficit)</b>	32,596			32,596
Total Fund Balances	\$56,287	\$14,356	\$12,472	\$83,115

<b>December 31, 2012 Fund Balances</b>	<b>General</b>	<b>Memorial Fund</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b>Restricted for:</b>				
Memorial		\$16,656		\$16,656
Capital Improvements			\$12,472	12,472
Total Restricted		16,656	12,472	29,128
<b>Committed to:</b>				
Building repairs	\$4,000			4,000
<b>Assigned to</b>				
Encumbrances	6,206			6,206
<b>Unassigned (Deficit)</b>	28,054			28,054
Total Fund Balances	\$38,260	\$16,656	\$12,472	\$67,388

**11. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

\$20,690 has been committed to building repairs with Wellman Brothers, Coldwater, Ohio.



# 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*

Rockford Carnegie Library  
Mercer County  
PO Box 330  
Rockford, Ohio 45882

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 governmental activities and each major fund of the Library as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 30, 2014, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2013-001, 2013-002 and 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

***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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 30, 2014

**ROCKFORD CARNEGIE PUBLIC LIBRARY  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**1. Expenditures Exceeding Appropriations – Noncompliance/Material Weakness**

**Ohio Admin Code Section 117-8-02** states the library's legislative body shall adopt appropriation measures. These measures establish the legal level of control. The legal level of control is the level (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

For the year ended December 31, 2012, the Memorial Fund had expenditures of \$10,631 and appropriations of \$8,000. For the year ended December 31, 2013, the Memorial Fund had expenditures of \$2,300 and appropriations of \$269.

The Library should not expend funds unless there are appropriations available. The Fiscal Officer should closely monitor the Library's budgetary financial reports throughout the year so that budgetary expenditures do not exceed the appropriations at the legal level of control.

**Official's Response:** Appropriations for the memorial fund for 2012 were increased because of board approved expenditures. The permanent appropriations approved were estimates. When the board approved the expenditures, supplemental appropriations were required. All expenditures were made from the memorial fund were approved in the board minutes. No appropriations for 2013 were needed. The \$2,300 expenditure was for PO 106-2012 carryover.

**FINDING NUMBER 2013-002**

**2. Bank Reconciliations – Material Weakness**

The bank reconciliations for December 31, 2013 and 2012 contained multiple reconciling items for entries that should have been made to the UAN system in 2011. The explanations for the reconciling items were different on each reconciliation and some did not agree to the actual reconciling item. The Library had to add the reconciling items to the bank balance to reconcile to the UAN system. In 2011, the Library overpaid the IRS \$2,110.92, Ohio Income Tax \$134.26 and the Ohio School District tax \$63.20, but did not record these expenditures in the UAN system. In 2012, there was an overpayment to an independent contractor for \$18. The Library subsequently received the reimbursements for these overpayments which it recorded, resulting in the UAN system being higher than the bank by those amounts.

The Library's failure to make accurate withholding payments and post all expenditures to the UAN system resulted in the bank balance being lower than the actual book balance.

The fiscal officer should make all the necessary adjustments to the UAN system to eliminate the reconciling items that are being carried from the past few years. Accurate descriptions should also be included for all reconciling items on the monthly bank reconciliations. The fiscal officer should record all payments, including overpayments to the UAN system. If reimbursements are made within the same year, the expenditure should be reduced by the reimbursement. Also, the Board of Trustees should receive and review the monthly bank reconciliations at each regular meeting to verify that the bank balance is not lower than the UAN fund balances and that all reconciling items are followed up on.

**Official's Response:** We did not receive a response from Officials to this comment.

### FINDING NUMBER 2013-003

#### 3. GASB 54 Fund Balance Classifications – Material Weakness

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds.

During 2013, the General Fund committed fund balance was overstated by \$4,310 as the estimate for the building repair was only \$20,690, and the Technology Project Fund had \$12,175 classified as assigned instead of restricted. In 2012, the Memorial fund had \$2,900 reported as assigned instead of restricted for outstanding encumbrances. Because the amount is already restricted due to the nature of the fund, it should not be moved to a less restrictive classification for an encumbrance.

The Library's Fiscal Officer should review the Auditor of State Bulletin 2011-004 and other resources for guidance in correctly classifying their funds and fund balances. The Library should perform a review of the classification of the funds and fund balances to provide for accuracy prior to completion of the annual financial statements.

**Official's Response:** Technology/Capital Projects Fund 2013 reported as assigned because it was considered to use this amount for the upcoming building repair project. The Board has approved removing the word Technology from the fund title and making it just Capital Projects. This is what it was felt it should be for the audit period.

Memorial fund \$2,900 I felt it was assigned was correct because it was assigned to the outstanding PO no 106-1012.



# Dave Yost • Auditor of State

**ROCKFORD CARNEGIE LIBRARY**

**MERCER 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  
JULY 29, 2014**