



Dave Yost • Auditor of State

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis – For the Year Ended December 31, 2013	5
Basic Financial Statements – December 31, 2013:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – December 31, 2013.....	9
Statement of Activities – Cash Basis For the Year Ended December 31, 2013	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds – December 31, 2013	11
Statement of Receipts, Disbursements, and Changes In Fund Balances – Cash Basis – Governmental Funds For the Year Ended December 31, 2013	12
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget Basis - General Fund For the Year Ended December 31, 2013	13
Notes to the Financial Statements For the Fiscal Year Ended December 31, 2012	15
Management's Discussion and Analysis – For the Year Ended December 31, 2012	23
Basic Financial Statements – December 31, 2012:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – December 31, 2012.....	27
Statement of Activities – Cash Basis For the Year Ended December 31, 2012	28
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds – December 31, 2012	29
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2012	30

COLDWATER PUBLIC LIBRARY
MERCER COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget - Basis General Fund For the Year Ended December 31, 2012	31
Notes to the Financial Statements For the Fiscal Year Ended December 31, 2012	33
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	41



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Coldwater Public Library
Mercer County
305 West Main Street
Coldwater, Ohio 45828

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Public 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, each major fund, and the aggregate remaining fund information of Coldwater Public Library, Mercer County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General Fund 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 and changes in net position. 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 May 15, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

May 15, 2014

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**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

This discussion and analysis of the Coldwater Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2013, 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 are as follows:

- Net position of governmental activities decreased \$23,223 in 2013. This was a result of an increase in library operation and staff hours as well as insurance costs.
- The Library's general receipts are primarily PLF (Public Library Fund) receipts. These receipts represent 96% of the total cash received for library services and operations during the year. PLF actual receipts increased from 2012 receipts by \$4,457. The PLF receipts increased a little more than 2% from 2012 to 2013.

Using the Basic Financial Statements

Report Components

The statement of net position 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 cash 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.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments 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 are from patron library fines and fees. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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.

In the statement of net position and the statement of activities, the library only has governmental activities.

- **Governmental activities:** The Library's basic services are reported here. PLF receipts finance most of these activities.

Reporting the 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. The Library has only governmental funds

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 funds are the General Fund, Capital Projects Fund, Desch Fund, and Schoch Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

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

**(Table 1)
Net Position**

	Governmental Activities 2013	Governmental Activities 2012
Assets:		
Cash and Cash Equivalents	\$114,514	\$137,737
Investments		
Total Assets	114,514	137,737

(Continued)

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

**(Table 1)
Net Position
(Continued)**

	Governmental Activities 2013	Governmental Activities 2012
Net Position:		
Restricted for:		
Desch Permanent Fund	10,000	10,000
Schoch Permanent Fund	10,000	10,000
Unrestricted	94,514	117,737
Total Net Position	\$114,514	\$137,737

As mentioned previously, net assets of governmental activities decreased \$23,223 in 2013. The primary reasons contributing to the decreases in cash balances are as follows:

- Reinstating library operation hours.
- Reinstating staff hours resulting in an increase in salary expenditures.
- Increase in insurance costs.

Table 2 reflects the changes in net assets in 2013 compared to 2012 on a cash basis of accounting.

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

	Governmental Activities 2013	Governmental Activities 2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$5,336	\$6,274
Total Program Receipts	5,336	6,274
General Receipts:		
Grants and Entitlements Not Restricted to Specific Programs	198,700	194,243
Sale of Fixed Assets	870	1,133
Interest	181	314
Miscellaneous	239	
Unrestricted Contributions	2,446	1,544
Total General Receipts	202,436	197,234
Total Receipts	207,772	203,508
Disbursements:		
Library Services	230,049	220,467
Capital Outlay	946	966
Total Disbursements	230,995	221,433
Increase (Decrease) in Net Assets	(23,223)	(17,925)
Net Position, January 1	137,737	155,662
Net Position, December 31	\$114,514	\$137,737

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

Program receipts represent only 2.5% of total receipts and are totally comprised of library fines and fees.

General receipts represent 97.5% of the Library's total receipts, and the majority of this amount is PLF receipts.

Unrestricted contributions represent donations made by patrons in memory of family members as well as general donations made to the library.

Miscellaneous amount represents refunds or reimbursements.

Disbursements for Library Services represent mainly library operations and services, such as payroll, health and retirement benefits, utilities, maintenance, books, audio books, and magazines.

The Library's Funds

Total governmental funds had receipts of \$207,772 and disbursements of \$230,995. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$23,276 as the result of reinstated library operation and staff hours and the rise in insurance costs.

General Fund receipts (\$207,719) were less than disbursements (\$230,995) resulting in a General Fund balance decrease of \$23,276. Since PLF receipts are based on fluctuating state revenues, expenditures for 2014 will need to be continually monitored to prevent a major decrease in the General Fund balance.

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.

During 2013, final PLF receipts amounts were \$873 less than budgeted.

Final disbursements of the general fund were budgeted at \$303,468 while actual disbursements were \$231,149.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and shrinking funding. We rely heavily on PLF funding which has been fluctuating with the condition of the current economy and state cuts to library funding. We will continue to monitor our spending, and make the necessary cuts in our programs and services when needed.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Jane Bruggeman, Fiscal Officer, Coldwater Public Library, 305 West Main Street, Coldwater, Ohio 45828.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	<u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$114,514
Total Assets	<u>114,514</u>
Net Position	
Restricted for:	
Permanent Fund: American History materials Non-expendable	10,000
Permanent Fund: Travel materials Non-expendable	10,000
Unrestricted	<u>94,514</u>
Total Net Position	<u>\$114,514</u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$73,253	\$21,261	\$20,000	\$114,514
Total Assets	<u>73,253</u>	<u>21,261</u>	<u>20,000</u>	<u>114,514</u>
Fund Cash Balances, December 31:				
Non-spendable			20,000	20,000
Restricted				
Committed				
Assigned		21,261		21,261
Unassigned	73,253			73,253
Fund Cash Balances, December 31	<u>\$73,253</u>	<u>\$21,261</u>	<u>\$20,000</u>	<u>\$114,514</u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Public Library	\$198,700			\$198,700
Patron Fines and Fees	5,336			5,336
Contributions, Gifts and Donations	2,446			2,446
Earnings on Investments	128	\$53		181
Miscellaneous	239			239
Total Receipts	<u>206,849</u>	<u>53</u>		<u>206,902</u>
Disbursements				
Current:				
Library Services:				
Public Services and Programs	230,049			230,049
Capital Outlay	946			946
Total Disbursements	<u>230,995</u>			<u>230,995</u>
Excess of Receipts Over (Under) Disbursements	<u>(24,146)</u>	<u>53</u>		<u>(24,093)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	870			870
Total Other Financing Sources (Uses)	<u>870</u>			<u>870</u>
Net Change in Fund Balances	(23,276)	53		(23,223)
Fund Balances Beginning of Year	96,529	21,208	\$20,000	137,737
Fund Balances End of Year	<u>\$73,253</u>	<u>\$21,261</u>	<u>\$20,000</u>	<u>\$114,514</u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
Receipts:				
Public Library	\$199,573	\$199,573	\$198,700	(\$873)
Patron Fines and Fees	6,100	6,100	5,336	(764)
Contributions, Gifts and Donations	100	100	2,446	2,346
Earnings on Investments	200	200	128	(72)
Miscellaneous	50	50	239	189
Total Receipts	206,023	206,023	206,849	826
Disbursements:				
Current:				
Public Services and Programs	289,577	289,577	230,203	59,374
Capital Outlay	4,791	4,791	946	3,845
Total Disbursements	294,368	294,368	231,149	63,219
Excess of Receipts Over (Under) Disbursements	(88,345)	(88,345)	(24,300)	64,045
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	870	(130)
Other Financing Uses	(9,100)	(9,100)		9,100
Total Other Financing Sources (Uses)	(8,100)	(8,100)	870	8,970
Net Change in Fund Balance	(96,445)	(96,445)	(23,430)	73,015
Unencumbered Fund Balance Beginning of Year	96,254	96,254	96,254	
Prior Year Encumbrances Appropriated	275	275	275	
Unencumbered Balance End of Year	\$84	\$84	\$73,099	\$73,015

See accompanying notes to the basic financial statements.

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**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Coldwater Public Library was organized as a municipal library in 1936 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Village Council of Coldwater. Appointments are for four-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 Fiscal Officer.

The Library receives the majority of its funding through the State of Ohio PLF (Public Library Fund), and the remainder through miscellaneous fines, fees, and interest collected throughout the year. The Library's budget is approved by the Mercer County Budget Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Coldwater 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.

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 balance 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 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 activity is self-financing on a cash basis or draws from the Library's general receipts.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

Capital Projects Fund - The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

The other governmental funds of the Library account for and report donations and other resources whose use is restricted to a particular purpose.

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 expenses and liabilities) 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, function, and object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fiscal Officer. 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."

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 (contra revenue), respectively.

During 2013, investments were limited to a money market fund, STAR Ohio and nonnegotiable certificates of deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2013 amounted to \$128, and Capital Projects Fund of \$53.

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

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

H. 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.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 Note 6 & 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Position

Net position are 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.

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

K. Fund Balance

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

Non-spendable - The Library classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - Trustees can commit amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$154 for the general fund.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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 2 percent and be marked 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;

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 one year 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. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

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.

B. Investments

At November 15, 2013, the Library had \$31,493 invested in STAR Ohio. The Library has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. On November 15, 2013, the library closed the Star Ohio account and deposited monies into the general checking account.

5. 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>
Ohio Casualty Insurance Co.	Commercial Property	\$1,000,000
Great American Insurance Co.	Directors & Officers	1,000,000
Westfield Insurance Co.	Employee Dishonesty Bond	10,000
Ohio Farmers Insurance Co.	Fiscal Officer - Bond	10,000
Ohio Farmers Insurance Co.	Director - Bond	10,000

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

The Library is a reimbursing employer with the State Workers' Compensation System and file quarterly reports.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

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. 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, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2013, the members were required to contribute 10% of their annual covered salaries. The 2013 employer contribution rate for state and local employers was 14.00% of covered payroll. The Library's contribution rate for pension benefits for 2013 was 13% for the 2013 calendar year. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and/or combined plans for the years ended December 31, 2013, 2012, and 2011 were \$17,338, \$16,035 and \$14,559 respectively; the full amount has been contributed for 2013, 2012, and 2011. No employees are under the member-directed plan.

7. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No.45*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post employment health care benefits based on authority granted by State statute. The 2013 local government employer contribution rate was 14 percent of covered payroll; 1.0% of the covered payroll was the portion that was used to fund health care for the 2013 calendar year.

The portion of employer contributions that was used to fund post-employment benefits for calendar year 2013 was \$1,238.

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**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

This discussion and analysis of the Coldwater Public Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 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 2012 are as follows:

- Net position of governmental activities decreased \$17,925 in 2012. This was a result of reductions mainly in PLF receipts as well as an increase in maintenance costs and book purchases.
- The Library's general receipts are primarily PLF (Public Library Fund) receipts. These receipts represent 95% of the total cash received for library services and operations during the year. PLF actual receipts decreased from 2011 receipts by \$11,656. The PLF receipts decreased a little less than 6% from 2011 to 2012.

Using the Basic Financial Statements

Report Components

The statement of net position 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 cash 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.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments 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 are from patron library fines and fees. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function 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.

In the statement of net position and the statement of activities, the library only has governmental activities.

Governmental activities: The Library's basic services are reported here. PLF receipts finance most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's 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. The Library has only governmental funds

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's 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 funds are the General Fund, Capital Projects Fund, Desch Fund, and Schoch Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

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

**(Table 1)
Net Position**

	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Cash and Cash Equivalents	\$137,737	\$134,547
Investments		21,115
Total Assets	137,737	155,662

(Continued)

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

**(Table 1)
Net Position
(Continued)**

	Governmental Activities 2012	Governmental Activities 2012
Net Position:		
Restricted for:		
Capital Outlay		21,115
Desch Permanent Fund	10,000	10,000
Schoch Permanent Fund	10,000	10,000
Unrestricted	117,737	114,547
Total Net Position	\$137,737	\$155,662

As mentioned previously, net assets of governmental activities decreased \$17,925 in 2012. The primary reasons contributing to the decreases in cash balances are as follows:

- Reductions in PLF receipts.
- Reinstating staff hours resulting in an increase in salary expenditures.
- Maintenance costs increased as well as an increase in book purchases.

Table 2 reflects the changes in net position in 2012 compared to 2011 on a cash basis of accounting.

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

	Governmental Activities 2012	Governmental Activities 2011
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$6,274	\$6,179
Total Program Receipts	6,274	6,179
General Receipts:		
Grants and Entitlements Not Restricted to Specific Programs	194,243	205,899
Sale of Fixed Assets	1,133	1,025
Interest	314	549
Miscellaneous		52
Unrestricted Contributions	1,544	2,124
Total General Receipts	197,234	209,649
Total Receipts	203,508	215,828
Disbursements:		
Library Services	220,467	194,670
Capital Outlay	966	1,649
Total Disbursements	221,433	196,319
Increase (Decrease) in Net Assets	(17,925)	19,509
Net Position, January 1	155,662	136,153
Net Position, December 31	\$137,737	\$155,662

Program receipts represent only 3% of total receipts and are totally comprised of library fines and fees.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

General receipts represent 97% of the Library's total receipts, and the majority of this amount is PLF receipts.

Unrestricted contributions represent donations made by patrons in memory of family members as well as general donations made to the library.

Miscellaneous amount represents refunds or reimbursements.

Disbursements for Library Services represent mainly library operations and services, such as payroll, health and retirement benefits, utilities, maintenance, books, audio books, and magazines.

The Library's Funds

Total governmental funds had receipts of \$203,508 and disbursements of \$221,433. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$18,018 as the result of reinstated staff hours and increased maintenance costs as well as an increase in book purchases.

General Fund receipts of \$203,415 were less than disbursements of \$221,433 resulting in a General Fund balance decrease of \$18,018. Since PLF receipts are based on fluctuating state revenues, expenditures for 2013 will need to be continually monitored to prevent a major decrease in the General Fund balance.

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.

During 2012, due to the freeze on PLF funding, final PLF receipts amounts were received as budgeted.

Final disbursements of the general fund were budgeted at \$317,268 while actual disbursements were \$221,708.

Current Issues

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and shrinking funding. We rely heavily on PLF funding which has been fluctuating with the condition of the current economy and state cuts to library funding. We will continue to monitor our spending, and make the necessary cuts in our programs and services when needed.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens and taxpayers 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 Jane Bruggeman, Fiscal Officer, Coldwater Public Library, 305 West Main Street, Coldwater, Ohio 45828.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$137,737</u>
Total Assets	<u><u>137,737</u></u>
Net Position:	
Restricted for:	
Permanent Fund: American History materials:	
Non-expendable	10,000
Permanent Fund: Travel materials:	
Non-expendable	10,000
Unrestricted	117,737
Total Net Position	<u><u>\$137,737</u></u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities:		
Current:		
Library Services:		
Public Services and Programs	\$220,467	\$6,275 (\$214,192)
Capital Outlay	966	(966)
Total Governmental Activities	\$221,433	\$6,275 (215,158)
 General Receipts		
Unrestricted Gifts and Contributions		1,544
Grants and Entitlements not Restricted to Specific Programs		194,243
Sale of Capital Assets		1,132
Earnings on Investments		314
Total General Receipts		197,233
Change in Net Assets		(17,925)
Net Assets Beginning of Year		155,662
Net Assets End of Year		\$137,737

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

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

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$96,529	\$21,208	\$20,000	\$137,737
Total Assets	<u>96,529</u>	<u>21,208</u>	<u>20,000</u>	<u>137,737</u>
Fund Cash Balance, December 31:				
Non-spendable			20,000	20,000
Assigned		21,208		21,208
Unassigned (Deficit)	96,529			96,529
Fund Cash Balance, December 31	<u>\$96,529</u>	<u>\$21,208</u>	<u>\$20,000</u>	<u>\$137,737</u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC 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>Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receipts:				
Public Library	\$194,243			\$194,243
Patron Fines and Fees	6,275			6,275
Contributions, Gifts and Donations	1,544			1,544
Earnings on Investments	221	\$93		314
Total Receipts	<u>202,283</u>	<u>93</u>		<u>202,376</u>
Disbursements:				
Current:				
Library Services:				
Public Services and Programs	220,467			220,467
Capital Outlay	966			966
Total Disbursements	<u>221,433</u>			<u>221,433</u>
Excess of Receipts Over (Under) Disbursements	<u>(19,150)</u>	<u>93</u>		<u>(19,057)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	1,132			1,132
Total Other Financing Sources (Uses)	<u>1,132</u>			<u>1,132</u>
Net Change in Fund Balances	(18,018)	93		(17,925)
Fund Balances Beginning of Year	<u>114,547</u>	<u>21,115</u>	<u>\$20,000</u>	<u>155,662</u>
Fund Balances End of Year	<u>\$96,529</u>	<u>\$21,208</u>	<u>\$20,000</u>	<u>\$137,737</u>

See accompanying notes to the basic financial statements.

**COLDWATER PUBLIC 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>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Public Library	\$194,243	\$194,243	\$194,243	
Patron Fines and Fees	7,100	7,100	6,275	(\$825)
Contributions, Gifts and Donations	100	100	1,544	1,444
Earnings on Investments	400	400	221	(179)
Miscellaneous	100	100		(100)
Total receipts	<u>201,943</u>	<u>201,943</u>	<u>202,283</u>	<u>340</u>
Disbursements:				
Current:				
Library Services:				
Public Services and Programs	288,611	288,611	220,742	67,869
Capital Outlay	19,148	19,148	966	18,182
Total Disbursements	<u>307,759</u>	<u>307,759</u>	<u>221,708</u>	<u>86,051</u>
Excess of Receipts Over (Under) Disbursements	<u>(105,816)</u>	<u>(105,816)</u>	<u>(19,425)</u>	<u>86,391</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	1,000	1,132	132
Other Financing Uses	(9,509)	(9,509)		9,509
Total Other Financing Sources (Uses)	<u>(8,509)</u>	<u>(8,509)</u>	<u>1,132</u>	<u>9,641</u>
Net Change in Fund Balance	(114,325)	(114,325)	(18,293)	96,032
Unencumbered Cash Balance Beginning of Year	114,000	114,000	114,000	
Prior Year Encumbrances Appropriated	<u>547</u>	<u>547</u>	<u>547</u>	
Unencumbered Cash Balance End of Year	<u>\$222</u>	<u>\$222</u>	<u>\$96,254</u>	<u>\$96,032</u>

See accompanying notes to the basic financial statements.

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**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Coldwater Public Library was organized as a municipal library in 1936 under the laws of the State of Ohio. The Library has its own Board of Trustees of six members who are appointed by the Mayor of Coldwater. Appointments are for four-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 Fiscal Officer.

The Library receives the majority of its funding through the State of Ohio PLF (Public Library Fund), and the remainder through miscellaneous fines, fees, and interest collected throughout the year. The Library's budget is approved by the Mercer County Budget Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Coldwater 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.

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 balance 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 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 activity is self-financing on a cash basis or draws from the Library's general receipts.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

Capital Projects Fund - The capital projects fund accounts for monies set aside by the Board of Library Trustees specifically for major capital improvements.

The other governmental funds of the Library account for and report donations and other resources whose use is restricted to a particular purpose.

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 expenses and liabilities) 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, function, and object level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fiscal Officer. 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."

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 (contra revenue), respectively.

During 2012, investments were limited to a money market fund, STAR Ohio and non-negotiable certificates of deposit.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2012 amounted to \$221, and Capital Projects Fund of \$93.

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

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

H. 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.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 Note 6 & 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Position

Net position are 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.

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

K. Fund Balance

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

Non-spendable - The Library classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

Restricted - Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - Trustees can commit amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

3. 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$275 for the general fund.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may 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 2 percent and be marked 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;

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

- 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 one year 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. Investments may only be made through specified dealers and institutions.

At year end, the Library had \$150 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

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.

B. Investments

At December 31, 2012, the Library had \$31,482 invested in STAR Ohio. The Library has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

5. 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 2012, 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>
Ohio Casualty Insurance Co.	Commercial Property	\$1,000,000
Great American Insurance Co.	Directors & Officers	1,000,000
Westfield Insurance Co.	Employee Dishonesty Bond	10,000
Ohio Farmers Insurance Co.	Fiscal Officer - Bond	10,000
Ohio Farmers Insurance Co.	Director - Bond	10,000

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

The Library is a reimbursing employer with the State Workers' Compensation System and file quarterly reports.

**COLDWATER PUBLIC LIBRARY
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

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. 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, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional 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 visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2012, the members were required to contribute 10% of their annual covered salaries. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The Library's contribution rate for pension benefits for 2012 was 10% for the 2012 calendar year. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and/or combined plans for the years ended December 31, 2012, 2011, and 2010 were \$16,035, \$14,559 and \$13,392 respectively; the full amount has been contributed for 2012, 2011, and 2010. No employees are under the member-directed plan.

7. POST-EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No.45*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post employment health care benefits based on authority granted by State statute. The 2012 local government employer contribution rate was 14 percent of covered payroll; 4% of the covered payroll was the portion that was used to fund health care for the 2012 calendar year.

The portion of employer contributions that was used to fund post-employment benefits for calendar year 2012 was \$4,581.

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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

Coldwater Public Library
Mercer County
305 West Main Street
Coldwater, Ohio 45828

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, each major fund, and the aggregate remaining fund information of the Coldwater Public Library, Mercer County (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 May 15, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

May 15, 2014



Dave Yost • Auditor of State

COLDWATER PUBLIC 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
JUNE 17, 2014**