



Dave Yost · Auditor of State



**MUSKINGUM COUNTY LIBRARY SYSTEM  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Muskingum County Library System  
Muskingum County  
220 North Fifth Street  
Zanesville, Ohio 43701

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 the Muskingum County Library System, Muskingum County, Ohio (the Library), as of and for the years ended December 31, 2014 and 2013, 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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.

Muskingum County Library System  
Muskingum County  
Independent Auditor's Report  
Page 2

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskingum County Library System, Muskingum County, Ohio, as of December 31, 2014 and 2013, and the respective changes in modified 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. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-9 of the report, and accordingly, 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 November 19, 2015, 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

November 19, 2015

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2014 and 2013  
Unaudited

The discussion and analysis of the Muskingum County Library System's (the Library's) financial performance provides an overview of the Library's financial activities for the years ended December 31, 2014 and 2013, within the limitations of the Library's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole.

### **Financial Highlights**

Key financial highlights for 2014 and 2013 are as follows:

- In 2014, net position of governmental activities increased \$882,818 or 13.97 percent. In 2013, net position increased \$496,486 or 8.53 percent.
- The Library's general receipts are primarily the Public Library Fund, Property Taxes, and Intergovernmental receipts. These receipts, excluding extraordinary items, represented 86.9 and 94.1 percent of the total cash received for governmental activities in 2014 and 2013, respectively. Public Library Fund receipts increased by \$54,508 in 2013 and decreased by \$46,702 in 2014. This fluctuation is due to the changing tax structure in Ohio and the return of the public library funding as a percentage of the State's General Revenue Fund receipts in July of 2013.
- The General Fund accounted for over 99 and 97 percent of all expenditures in 2014 and 2013 respectively.

### **Using the Basic Financial Statements**

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

### **Report Components**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Library's financial position. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a modified cash basis of accounting.

The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis provides information about the activities of the Library as a whole, presenting an aggregate view of the Library's finances. Governmental financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Governmental financial statements report the Library's most significant funds individually and the Library's non-major funds in a single column. The Library's major funds are the General Fund and Building & Repair Fund.

The notes to the financial statements are an integral part of the governmental-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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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Unaudited

As a result of using the modified 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 modified cash basis of accounting.

### **Reporting the Library as a Whole**

The Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis reflects how the Library did financially during 2014 and 2013. 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. 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 function 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 modified 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 state's funding levels, the increase/decrease of library customers and the extent of participation in the Library's program activities. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

In the Statement of Net Position and the Statement of Activities, the Library has only one type of activity: Governmental Activities. All of the Library's basic services are reported here, including library services, support services, and capital outlay. The Public Library Fund and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **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 established 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 funds of the Library are all in the governmental category.

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 had two major governmental funds in 2014 and 2013 – the General Fund and the Building & Repair Fund. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

### **The Library as a Whole**

Table 1 provides a summary of the Library's net position for 2014 compared to 2013 and 2013 as compared to 2012.

**Muskingum County Library System**  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2014 and 2013  
 Unaudited

Table 1  
 Net Position – Modified Cash Basis

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,461,261	\$922,805	\$2,645,301
Investments	<u>5,738,947</u>	<u>5,394,585</u>	<u>3,175,382</u>
Total Assets	<u><u>\$7,200,208</u></u>	<u><u>\$6,317,390</u></u>	<u><u>\$5,820,683</u></u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$3,126,721	\$3,137,370	\$3,217,792
Other Purposes	1,736	2,233	17,255
Unrestricted	<u>4,071,751</u>	<u>3,177,787</u>	<u>2,585,636</u>
Total Net Position	<u><u>\$7,200,208</u></u>	<u><u>\$6,317,390</u></u>	<u><u>\$5,820,683</u></u>

As mentioned previously, net position of governmental activities increased by \$882,818 or 13.97 percent during 2014. In 2013, net position increased \$496,707 or 8.53 percent. Approximately 34.5 percent of the increase in net position in 2014 can be attributed to a large donation received. Other changes can be attributed to changes in staffing levels and the Board and Management's careful review of expenditures.

Table 2 shows the changes in net position for the year ended December 31, 2014, December 31, 2013 and December 31, 2012.

**Muskingum County Library System**  
 Management's Discussion and Analysis  
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Table 2  
 Changes in Net Position – Modified Cash Basis

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Receipts:</b>			
Program Cash Receipts			
Charges for Services	\$107,475	\$106,160	\$92,652
Operating Grants & Contributions	369,261	24,328	22,109
Total Program Cash Receipts	476,736	130,488	114,761
General Receipts			
Property Taxes Levied	1,589,109	1,610,995	1,658,673
Government Grants-in-Aid, PLF	2,381,683	2,428,385	2,373,877
Interest	50,270	46,528	54,825
Miscellaneous Receipts	71,561	72,926	61,860
Extraordinary Item	77,000	0	0
Total General Receipts	4,169,623	4,158,834	4,149,235
<b>Total Receipts</b>	<b>4,646,359</b>	<b>4,289,322</b>	<b>4,263,996</b>
<b>Disbursements:</b>			
Public Services			
Public Services & Programs	1,405,925	1,417,262	1,410,711
Collection Development & Processing	751,409	682,969	655,574
Support Services:			
Facilities Operation & Maintenance	452,916	399,724	396,444
Information Services	127,182	136,263	119,856
Business Administration	919,681	875,914	805,207
Capital Outlay	106,428	190,871	307,377
Extraordinary Item	0	89,833	0
<b>Total Disbursements</b>	<b>3,763,541</b>	<b>3,792,836</b>	<b>3,695,169</b>
<b>Change in Net Assets</b>	<b>\$882,818</b>	<b>\$496,486</b>	<b>\$568,827</b>

Program receipts only represent approximately 10 percent of total receipts in 2014 and 3 percent of total receipts in 2013. Program receipts are higher in 2014 in comparison to 2013 due to a large donation.

In 2014 general receipts, excluding extraordinary items, represented 90 percent of the Library's overall receipts; and in 2013, general receipts, excluding extraordinary items, represented 97 percent of the Library's total receipts. General receipts in 2014 included \$1,589,109 from the operating levy passed in November 2009. This represented 39 percent of general receipts, excluding extraordinary items. General receipts in 2013 included \$1,610,995 from the operating levy or 39 percent of general receipts, excluding extraordinary items. Since these monies are locally levied, it can be seen how failure of a levy can have a substantial impact on the services the Library can provide.

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Total Disbursements, excluding extraordinary items, increased by 1.6 percent in 2014 from 2013 and by less than .25 percent in 2013 from 2012. These low percentage changes can be attributed to Management's commitment to reviewing each open position and change in personnel to ensure the best fit for Muskingum County moving forward.

In 2014 an extraordinary item is reflected in the basic financial statements in the amount of \$77,000. This is a result of a one-time settlement received. In 2013 an extraordinary item is reflected in the basic financial statements in the amount of \$89,833. The extraordinary items in both 2014 and 2013 are the result of a loss due to an ACH theft and subsequent settlement. Please refer to Note 2N. in the footnotes for more information.

The Statement of Activities – Modified Cash Basis shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total of the services and the net cost of services. The net cost of services identifies the cost of those services supported by the Library's general receipts.

Table 3  
 Governmental Activities – Modified Cash Basis

	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
<b>Library Services:</b>		
Public Services & Programs	\$1,405,925	\$929,189
Collection Development & Processing	751,409	751,409
<b>Support Services:</b>		
Facilities Operation & Maintenance	452,916	452,916
Information Services	127,182	127,182
Business Administration	919,681	919,681
Capital Outlay	106,428	106,428
<b><i>Total Disbursements</i></b>	<b><u>\$3,763,541</u></b>	<b><u>\$3,286,805</u></b>
	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>
<b>Library Services:</b>		
Public Services & Programs	\$1,417,262	\$1,286,774
Collection Development & Processing	682,969	682,969
<b>Support Services:</b>		
Facilities Operation & Maintenance	399,724	399,724
Information Services	136,263	136,263
Business Administration	875,914	875,914
Capital Outlay	190,871	190,871
<b><i>Total Disbursements</i></b>	<b><u>\$3,703,003</u></b>	<b><u>\$3,572,515</u></b>

**Muskingum County Library System**  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2014 and 2013  
 Unaudited

	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>
Library Services:		
Public Services & Programs	\$1,410,711	\$1,295,950
Collection Development & Processing	655,574	655,574
Support Services:		
Facilities Operation & Maintenance	396,444	396,444
Information Services	119,856	119,856
Business Administration	805,207	805,207
Capital Outlay	307,377	307,377
<b>Total Disbursements</b>	<b>\$3,695,169</b>	<b>\$3,580,408</b>

### **Governmental Fund Financial Statements**

The Library's governmental fund financial statements are accounted for using the modified cash basis of accounting. The Library's major governmental funds are the General Fund and the Building and Repair Fund. A review of these funds reflects an increase in the fund balance of the General Fund of \$891,462 and a decrease of \$4,872 in the Building and Repair Fund for 2014. The larger changes in fund balance in the General Fund can be attributed to the large donations received in 2014. The decrease in the Building and Repair Fund can be attributed to the Board and Management's careful review of each expenditure decision.

In comparison, during 2013, the General Fund reflects an increase of \$579,387. The Building and Repair Fund reflected a decrease of \$39,780. Again the changes in fund balance in both the General Fund and the Building and Repair Fund can be attributed to the Board and Management's careful review of each expenditure decision.

### **General Fund Budgetary Highlights**

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

During the course of both 2014 and 2013, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

### **Current Issues**

Libraries across the United States are changing. The demand for access to computers and digital content is changing the way libraries focus resources.

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. Until 2010, the Library relied heavily on the Public Library Fund to fund library operations. With the 2009 passage of the property tax levy, the Library currently depends heavily on receipts from the Public Library Fund and Property Taxes. With the uncertainty of the Public Library Fund distribution and Ohio's continually changing tax structure, the Library must continue to be fiscally responsible with its taxpayer dollars and at the same time provide great services to the public.

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2014 and 2013  
Unaudited

**Request for Information**

This financial report is designed to provide a general overview of the Library's finances and to show the Library's accountability for the money it receives to all those interested in the Library's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Stacey Russell, Fiscal Officer, 220 North Fifth Street, Zanesville, Ohio 43701.

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**Muskingum County Library System**  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2014*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,461,261
Investments	<u>5,738,947</u>
<i>Total Assets</i>	<u><u>\$7,200,208</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$3,126,721
Other Purposes	1,736
Unrestricted	<u>4,071,751</u>
<i>Total Net Position</i>	<u><u>\$7,200,208</u></u>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2014**

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	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$1,405,925	\$107,475	\$369,261	(\$929,189)
Collection Development and Processing	751,409	0	0	(751,409)
Support Services:				
Facilities Operation and Maintenance	452,916	0	0	(452,916)
Information Services	127,182	0	0	(127,182)
Business Administration	919,681	0	0	(919,681)
Capital Outlay	106,428	0	0	(106,428)
<i>Total Governmental Activities</i>	<b>\$3,763,541</b>	<b>\$107,475</b>	<b>\$369,261</b>	<b>(3,286,805)</b>
General Receipts:				
Property Taxes Levied for General Purposes				1,589,109
Government Grants-in-Aid, PLF				2,381,683
Earnings on Investments				50,270
Miscellaneous				71,561
Extraordinary Item				77,000
<i>Total General Receipts and Extraordinary Item</i>				<b>4,169,623</b>
Change in Net Position				882,818
<i>Net Position Beginning of Year</i>				<b>6,317,390</b>
<i>Net Position End of Year</i>				<b>\$7,200,208</b>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
*Statement of Assets and Fund Balances- Modified Cash Basis*  
*Governmental Funds*  
*December 31, 2014*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$732,895	\$347,724	\$380,642	\$1,461,261
Investments	3,336,354	2,177,566	225,027	5,738,947
<i>Total Assets</i>	<u><u>\$4,069,249</u></u>	<u><u>\$2,525,290</u></u>	<u><u>\$605,669</u></u>	<u><u>\$7,200,208</u></u>
<b>Fund Balances</b>				
Committed	\$0	\$0	\$4,238	\$4,238
Assigned	82,828	2,525,290	601,431	3,209,549
Unassigned (Deficit)	3,986,421	0	0	3,986,421
<i>Total Fund Balances</i>	<u><u>\$4,069,249</u></u>	<u><u>\$2,525,290</u></u>	<u><u>\$605,669</u></u>	<u><u>\$7,200,208</u></u>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
**Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis**  
**Governmental Funds**  
*For the Year Ended December 31, 2014*

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	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$1,589,109	\$0	\$0	\$1,589,109
Intergovernmental - Public Library Fund	2,381,683	0	0	2,381,683
Patron Fines and Fees	75,793	0	0	75,793
Services Provided to Other Entities	31,682	0	0	31,682
Contributions, Gifts and Donations	366,761	0	2,500	369,261
Earnings on Investments	28,713	17,819	3,738	50,270
Miscellaneous	71,561	0	0	71,561
<i>Total Receipts</i>	<u>4,545,302</u>	<u>17,819</u>	<u>6,238</u>	<u>4,569,359</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,405,925	0	0	1,405,925
Collection Development and Processing	751,409	0	0	751,409
Support Services:				
Facilities Operation and Maintenance	432,694	19,724	498	452,916
Information Services	122,981	0	4,201	127,182
Business Administration	919,681	0	0	919,681
Capital Outlay	98,150	2,967	5,311	106,428
<i>Total Disbursements</i>	<u>3,730,840</u>	<u>22,691</u>	<u>10,010</u>	<u>3,763,541</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>814,462</u>	<u>(4,872)</u>	<u>(3,772)</u>	<u>805,818</u>
Extraordinary Item - See Note 2N	<u>77,000</u>	<u>0</u>	<u>0</u>	<u>77,000</u>
<i>Net Change in Fund Balances</i>	<u>891,462</u>	<u>(4,872)</u>	<u>(3,772)</u>	<u>882,818</u>
<i>Fund Balances Beginning of Year</i>	<u>3,177,787</u>	<u>2,530,162</u>	<u>609,441</u>	<u>6,317,390</u>
<i>Fund Balances End of Year</i>	<u>\$4,069,249</u>	<u>\$2,525,290</u>	<u>\$605,669</u>	<u>\$7,200,208</u>

See accompanying notes to the basic financial statements

**Muskingum County Library System**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis*  
**General Fund**  
*For the Year Ended December 31, 2014*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,553,853	\$1,574,298	\$1,589,109	\$14,811
Intergovernmental - Public Library Fund	2,354,600	2,382,045	2,381,683	(362)
Patron Fines and Fees	83,250	79,050	75,793	(3,257)
Services Provided to Other Entities	22,353	32,592	31,682	(910)
Contributions, Gifts and Donations	17,000	321,000	323,334	2,334
Earnings on Investments	21,000	26,000	28,447	2,447
Miscellaneous	36,930	61,368	71,561	10,193
<i>Total Receipts</i>	<i>4,088,986</i>	<i>4,476,353</i>	<i>4,501,609</i>	<i>25,256</i>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,661,163	1,662,743	1,411,557	251,186
Collection Development and Processing	828,605	839,191	795,373	43,818
Support Services:				
Facilities Operation and Maintenance	456,353	469,963	453,408	16,555
Information Services	132,584	132,584	123,153	9,431
Business Administration	974,633	983,617	928,763	54,854
Capital Outlay	145,216	138,553	101,414	37,139
<i>Total Disbursements</i>	<i>4,198,554</i>	<i>4,226,651</i>	<i>3,813,668</i>	<i>412,983</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(109,568)</i>	<i>249,702</i>	<i>687,941</i>	<i>438,239</i>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(304,000)	(304,000)	0
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>(304,000)</i>	<i>(304,000)</i>	<i>0</i>
Extraordinary Item - See Note 2N	0	77,000	77,000	0
<i>Net Change in Fund Balance</i>	<i>(109,568)</i>	<i>22,702</i>	<i>460,941</i>	<i>438,239</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>3,015,403</i>	<i>3,015,403</i>	<i>3,015,403</i>	<i>0</i>
Prior Year Encumbrances Appropriated	147,818	147,818	147,818	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$3,053,653</i>	<i>\$3,185,923</i>	<i>\$3,624,162</i>	<i>\$438,239</i>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2013*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$922,805
Investments	<u>5,394,585</u>
<i>Total Assets</i>	<u><u>\$6,317,390</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$3,137,370
Other Purposes	2,233
Unrestricted	<u>3,177,787</u>
<i>Total Net Position</i>	<u><u>\$6,317,390</u></u>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2013**

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	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$1,417,262	\$106,160	\$24,328	(\$1,286,774)
Collection Development and Processing	682,969	0	0	(682,969)
Support Services:				
Facilities Operation and Maintenance	399,724	0	0	(399,724)
Information Services	136,263	0	0	(136,263)
Business Administration	875,914	0	0	(875,914)
Capital Outlay	190,871	0	0	(190,871)
<i>Total Governmental Activities</i>	<i>\$3,703,003</i>	<i>\$106,160</i>	<i>\$24,328</i>	<i>(3,572,515)</i>
General Receipts:				
Property Taxes Levied for General Purposes				1,610,995
Government Grants-in-Aid, PLF				2,428,385
Earnings on Investments				46,528
Miscellaneous				72,926
Extraordinary Item				(89,833)
<i>Total General Receipts and Extraordinary Item</i>				<i>4,069,001</i>
Change in Net Position				496,486
<i>Net Position Beginning of Year</i>				<i>5,820,904</i>
<i>Net Position End of Year</i>				<i>\$6,317,390</i>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
*Statement of Assets and Fund Balances- Modified Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$386,457	\$348,557	\$187,790	\$922,804
Investments	2,791,330	2,181,605	421,651	5,394,586
<i>Total Assets</i>	<u><u>\$3,177,787</u></u>	<u><u>\$2,530,162</u></u>	<u><u>\$609,441</u></u>	<u><u>\$6,317,390</u></u>
<b>Fund Balances</b>				
Committed	\$0	\$0	\$2,233	\$2,233
Assigned	147,818	2,530,162	607,208	3,285,188
Unassigned (Deficit)	3,029,969	0	0	3,029,969
<i>Total Fund Balances</i>	<u><u>\$3,177,787</u></u>	<u><u>\$2,530,162</u></u>	<u><u>\$609,441</u></u>	<u><u>\$6,317,390</u></u>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

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	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$1,610,995	\$0	\$0	\$1,610,995
Intergovernmental - Public Library Fund	2,428,385	0	0	2,428,385
Patron Fines and Fees	80,732	0	0	80,732
Services Provided to Other Entities	25,428	0	0	25,428
Contributions, Gifts and Donations	24,328	0	0	24,328
Earnings on Investments	23,547	19,761	3,220	46,528
Miscellaneous	72,926	0	0	72,926
<i>Total Receipts</i>	<i>4,266,341</i>	<i>19,761</i>	<i>3,220</i>	<i>4,289,322</i>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,417,262	0	0	1,417,262
Collection Development and Processing	682,969	0	0	682,969
Support Services:				
Facilities Operation and Maintenance	397,238	0	2,486	399,724
Information Services	125,943	0	10,320	136,263
Business Administration	875,914	0	0	875,914
Capital Outlay	97,795	59,541	33,535	190,871
<i>Total Disbursements</i>	<i>3,597,121</i>	<i>59,541</i>	<i>46,341</i>	<i>3,703,003</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>669,220</i>	<i>(39,780)</i>	<i>(43,121)</i>	<i>586,319</i>
Extraordinary Item - See Note 2N	(89,833)	0	0	(89,833)
<i>Net Change in Fund Balances</i>	<i>579,387</i>	<i>(39,780)</i>	<i>(43,121)</i>	<i>496,486</i>
<i>Fund Balances Beginning of Year</i>	<i>2,598,400</i>	<i>2,569,942</i>	<i>652,562</i>	<i>5,820,904</i>
<i>Fund Balances End of Year</i>	<i>\$3,177,787</i>	<i>\$2,530,162</i>	<i>\$609,441</i>	<i>\$6,317,390</i>

See accompanying notes to the basic financial statements

**Muskingum County Library System**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual - Budget Basis*  
**General Fund**  
*For the Year Ended December 31, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,524,876	\$1,604,075	\$1,610,995	\$6,920
Intergovernmental - Public Library Fund	2,439,595	2,414,311	2,428,385	14,074
Patron Fines and Fees	93,450	84,050	80,732	(3,318)
Services Provided to Other Entities	22,204	22,204	25,428	3,224
Contributions, Gifts and Donations	20,500	24,000	22,332	(1,668)
Earnings on Investments	21,000	21,000	23,520	2,520
Miscellaneous	61,137	71,857	72,926	1,069
<i>Total Receipts</i>	<i>4,182,762</i>	<i>4,241,497</i>	<i>4,264,318</i>	<i>22,821</i>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,743,001	1,647,398	1,422,362	225,036
Collection Development and Processing	775,259	776,307	735,779	40,528
Support Services:				
Facilities Operation and Maintenance	438,914	444,855	414,123	30,732
Information Services	128,998	130,598	126,831	3,767
Business Administration	942,848	1,059,859	945,973	113,886
Capital Outlay	120,088	120,088	99,871	20,217
<i>Total Disbursements</i>	<i>4,149,108</i>	<i>4,179,105</i>	<i>3,744,939</i>	<i>434,166</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>33,654</i>	<i>62,392</i>	<i>519,379</i>	<i>456,987</i>
Extraordinary Item - See Note 2N	0	(89,833)	(89,833)	0
<i>Net Change in Fund Balance</i>	<i>33,654</i>	<i>(27,441)</i>	<i>429,546</i>	<i>456,987</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>2,494,012</i>	<i>2,494,012</i>	<i>2,494,012</i>	<i>0</i>
Prior Year Encumbrances Appropriated	91,845	91,845	91,845	0
<i>Unencumbered Fund Balance End of Year</i>	<i>\$2,619,511</i>	<i>\$2,558,416</i>	<i>\$3,015,403</i>	<i>\$456,987</i>

*See accompanying notes to the basic financial statements*

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 1 – Description of the Library and Reporting Entity**

The Muskingum County Library System, Muskingum County (the Library), was organized as a county district library in 1988 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Muskingum County Commissioners and the Muskingum County Common Pleas Court. Appointments are for seven year terms and members serve without compensation. Under Ohio statutes, the Library is a body corporate and politic capable of being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising the rights and privileges conveyed to it by the constitution and laws of Ohio. 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 administration of the day-to-day operations of the Library being the responsibility of the Director and the financial accountability being solely that of the Fiscal Officer. The Library provides the community with various educational and literary resources.

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

***Reporting Entity***

The Library is fiscally independent of Muskingum County, although the County 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 Muskingum County Commissioners 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 Muskingum County.

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 Muskingum County.

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. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Muskingum County Library System 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.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, the financial statements of the Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. The most significant of the Library's accounting policies are described below.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and government wide financial statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements:** The statement of net position and the statement of activities display information about the Library as a whole.

The statement of net assets 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 program or function 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 modified cash basis or draws from the Library's general receipts.

**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. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Library uses funds to maintain its financial records during the fiscal 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 fund types.

**Governmental Funds:** Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. The following are the Library's major governmental funds:

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

**Building & Repair Fund** – This fund is used to account for monies that are restricted for the acquisition, construction or repair of major capital projects.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

The Library's financial statements are prepared using the modified 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 this modified 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, other than agency funds, are legally required to be appropriated. The appropriation resolution is the Board of Library Trustee's authorization to spend resources and set limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board. The Fiscal Officer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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 Board 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 in effect when final appropriations were enacted by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal 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 Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. The Library followed Ohio statutes for the allocation of interest earnings among the Library's funds. All funds received interest based on a prorated share of the pools fund balance at the time of the receipt of the interest. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Library records identify the purchase of specific investments by specific funds. 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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**E. Cash and Investments (Continued)**

During 2014, investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes and nonnegotiable certificates of deposit. Investments are recorded at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2014 amounted to \$28,713 and \$23,547 in 2013.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are imposed by creditors, contributors, grantors or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent donations made for a specific purpose.

**G. 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.

**H. 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.

**I. 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:

**Nonspendable** The nonspendable 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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**I. Fund Balance (Continued)**

**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.

**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.

**J. 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 modified cash basis of accounting.

**K. 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.

**L. 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 those in the Building & Repair Fund, Automation Fund and Permanent Art Improvement Fund.

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**N. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. In March of 2013, the Library experienced an ACH Theft of \$89,833 from their bank accounts. The cause or who was responsible for this loss could not be determined. This loss is reflected as an extraordinary item on the financial statements. In 2014, the Library's bank settled with the Library in the amount of \$77,000 and this amount is reflected on the 2014 financial statements as an extraordinary item.

**Note 3 – Grants-in-aid**

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's General Revenue Fund during the preceding month. This method of distribution is called the "percentage of revenue" method. This method was not used for August 2011 through June 2013. During that 23 month period PLF received a designated percentage of the dollar amounts received by the fund during the corresponding month of the fiscal year 2011 "base-year" period. Effective July 2013 the statutory allocation method reverted to the "percentage of revenue" method for PLF distribution. The fund received an amount equal to a specified percentage of the amount of GRF tax revenue received during the previous month. Beginning with the July 2013 distribution the "statutory allocation method" was implemented. The calendar year 2013 entitlements were used in the computation as the basis of each county's allocation percentage. Those percentages were used through December 2013. In December 2013 the actual calendar year entitlement was computed. Any difference was adjusted evenly to the PLF distributions from January-June 2014. In calendar year 2014 the statutory entitlement computation method continued. Estimated entitlement figures were issued to County Auditors in July 2013, December 2013 and June 2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

**Note 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, cash disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budget 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 modified cash basis is outstanding year-end encumbrances, which are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis). In addition, certain funds are included in the general fund (modified cash basis), but have separate legally adopted budgets. The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$82,828 and \$147,818 for the years ended December 31, 2014 and 2013, respectively. In addition, for the fiscal year ended December 31, 2014, intrafund transfers with certain funds, reported as part of the General Fund on the modified cash basis, of \$304,000 are eliminated on the modified cash basis but are included within the budgetary basis for the General Fund.

**Note 5 – Deposits and Investments**

State statutes classify monies held by the Library 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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 5 – Deposits and Investments (Continued)**

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 2 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) above 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 (STAROhio).

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.

At year end, the Library had \$365 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2014, \$1,231,813 of the Library's bank balances of \$1,884,308 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 5 – Deposits and Investments (Continued)**

At December 31, 2013, \$429,653 of the Library's bank balances of \$2,260,711 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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 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.

The Library had the following investments at December 31, 2014:

Type	Value	< 1 Year	1 to 5 Years
Federal Agency Securities	\$ 5,336,452		\$ 5,336,452

The Library had the following investments at December 31, 2013:

Type	Value	< 1 Year	1 to 5 Years
Federal Agency Securities	\$ 4,284,945	\$ 500,000	\$ 3,784,945

Interest rate risk arises because of the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes and Federal Home Loan Bank notes carry a rating of AAA by Standard & Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that is in the possession of an outside party. The Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes and the Federal Home Loan Bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department but not in the Library's name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Library. Property tax receipts received in 2014 for real and public utility property taxes represents collections of the 2013 taxes. Property tax receipts received in 2013 for real and public utility property taxes represents collections of the 2012 taxes.

2014 real property taxes are levied after October 1, 2014 on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 6 - Property Taxes (Continued)**

2013 real property taxes are levied after October 1, 2013 on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute 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 semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

The full tax rate for all Library operations for the year ended December 31, 2014, was \$1.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2014 property tax receipts were based are as follows:

Real Property	\$1,432,899,000
Public Utility Property	216,179,180
Total Assessed Values	<u>\$1,649,078,180</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.

**Note 7 – Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Ohio Plan Risk Management, Inc.	Commercial Property	\$17,354,097
	Liability	1,000,000/3,000,000
	Wrongful Acts	1,000,000/3,000,000
	Commercial Crime	15,000
	Bond	100,000
	Inland Marine	200,000
	Library Materials	4,726,605
	Vehicle	1,000,000
	EDP	890,000
	Employee Dishonesty	100,000
	Employee Benefits Liability	1,000,000
	Cyber Risk	1,000,000
Travelers	Volunteer	300,000
Market Insurance Company	Directors & Officers,	
Great American Insurance Group	Employment Practices	2,000,000

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

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 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 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 that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature, but not less than, the Traditional 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 provides 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 that may be obtained by writing to OPERS, 227 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. For the years ended December 31, 2014 and 2013, members in state and local classifications contributed 10 percent of covered payroll. The Library's contribution rate for 2014 and 2013 was 14 percent of covered payroll.

The Library's required contributions for pension obligations to the traditional plan for the years ended December 31, 2014, 2013 and 2012 were \$248,988, \$247,902 and \$244,291, respectively. The full amount has been contributed for 2014, 2013 and 2012. No contributions were made to the member directed or combined plans.

**Note 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.

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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details. 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 are 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 healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment healthcare.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2014 and 2013

**Note 9 – Post-employment Benefits (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014 and 2013, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that can be set aside for funding post-employment healthcare benefits.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 2% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library's contributions allocated to fund post-employment healthcare benefits for the years ended December 31, 2014, 2013 and 2012 were \$35,555, \$17,700 and \$69,794 respectively. The full amount has been contributed for 2014, 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

**Note 10 – Other Employee Benefits**

**Insurance Benefits** – The Library provides health coverage to full time employees through Medical Mutual of Ohio. Employees may purchase dental coverage through Brokers National.

**Deferred Compensation** – Employees of the Library may elect to participate in the Ohio Public Employees Deferred Compensation Plan. Under this program, employees elect to defer a portion of their pay. The deferred pay, and any income earned on it, are not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseen emergency.

**Note 11 – 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.

**Muskingum County Library System**  
 Notes to the Basic Financial Statements  
 For the Years Ended December 31, 2014 and 2013

**Note 11 – Fund Balances (Continued)**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for the year ended December 31, 2014:

Fund Balances	General	Building & Repair Fund	Other Governmental Funds	Total
<b>Committed to</b>				
Fisher Literacy Fund	\$0	\$0	\$1,736	\$1,736
Wickham Fund	0	0	2,502	2,502
<i>Total Committed</i>	<i>0</i>	<i>0</i>	<i>4,238</i>	<i>4,238</i>
<b>Assigned to</b>				
Purchases on Order	82,828	0	0	82,828
Capital Improvements	0	2,525,290	601,431	3,126,721
<i>Total Assigned</i>	<i>82,828</i>	<i>2,525,290</i>	<i>601,431</i>	<i>3,209,549</i>
<b>Unassigned (Deficit)</b>				
<i>Total Fund Balances</i>	<i>\$4,069,249</i>	<i>\$2,525,290</i>	<i>\$605,669</i>	<i>\$7,200,208</i>

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for the year ended December 31, 2013:

Fund Balances	General	Building & Repair Fund	Other Governmental Funds	Total
<b>Committed to</b>				
Fisher Literacy Fund	\$0	\$0	\$498	\$498
Wickham Fund	0	0	1,735	1,735
<i>Total Committed</i>	<i>0</i>	<i>0</i>	<i>2,233</i>	<i>2,233</i>
<b>Assigned to</b>				
Purchases on Order	147,818	0	0	147,818
Capital Improvements	0	2,530,162	607,208	3,137,370
<i>Total Assigned</i>	<i>147,818</i>	<i>2,530,162</i>	<i>607,208</i>	<i>3,285,188</i>
<b>Unassigned (Deficit)</b>				
<i>Total Fund Balances</i>	<i>\$3,177,787</i>	<i>\$2,530,162</i>	<i>\$609,441</i>	<i>\$6,317,390</i>



# 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

Muskingum County Library System  
Muskingum County  
220 North Fifth Street  
Zanesville, Ohio 43701

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 Muskingum County Library System, Muskingum County, Ohio (the Library), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 19, 2015, 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 opinions 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.

Muskingum County Library System  
Muskingum County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***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, appearing to read "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 19, 2015



# Dave Yost • Auditor of State

## MUSKINGUM COUNTY LIBRARY SYSTEM

### MUSKINGUM 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 1, 2015