



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 modified cash-basis 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, 2016 and 2015 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.

**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, 2016 and 2015 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.

**Emphasis of Matter**

As discussed in Note 5 to the financial statements, during 2016, the Library adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the Table of Contents. 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 June 15, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



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

June 15, 2017

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2016 and 2015  
Unaudited

The discussion and analysis of the Muskingum County Library System's (the Library) financial performance provides an overview of the Library's financial activities for the years ended December 31, 2016 and 2015, 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.

**Highlights**

Key financial highlights for 2016 and 2015 are as follows:

- In 2016, net position of governmental activities increased \$742,317 or 9.45 percent. In 2015, net position increased \$655,990 or 9.11 percent.
- The Library's general receipts are primarily the Public Library Fund, Property Taxes, and Intergovernmental receipts. These receipts represented 90.6 and 91.9 percent of the total cash received for governmental activities in 2016 and 2015 respectively. Public Library Fund receipts increased by \$251,106 in 2015 and decreased by \$22,591 in 2016. 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 and an increase in the percentage of the General Revenue Fund allocated to libraries in the second half of 2015 from 1.66 percent to 1.70 percent. The decrease in 2016 can be attributed to the state's tax receipts lagging behind estimates for the last half of 2016.
- The General Fund accounted for over 96 and 95 percent of all expenditures in 2016 and 2015 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.

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2016 and 2015  
Unaudited

**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.

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 2016 and 2015, 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. 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.



**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2016 and 2015  
Unaudited

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 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 2016 and 2015 – 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 2016 compared to 2015 and 2015 as compared to 2014.

Table 1  
Net Position – Modified Cash Basis

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,797,375	\$ 2,419,430	\$ 1,461,261
Investments	5,801,140	5,436,768	5,738,947
Total Assets	<u>\$ 8,598,515</u>	<u>\$ 7,856,198</u>	<u>\$ 7,200,208</u>
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$ 2,952,249	\$ 2,993,866	\$ 3,126,721
Other Purposes	\$ 64,025	\$ 121,538	\$ 1,736
Unrestricted	<u>5,582,241</u>	<u>4,740,794</u>	<u>4,071,751</u>
Total Net Position	<u>\$ 8,598,515</u>	<u>\$ 7,856,198</u>	<u>\$ 7,200,208</u>

As mentioned previously, net position of governmental activities increased by \$742,317 or 9.45 percent during 2016. In 2015, net position increased \$655,990 or 9.11 percent. Approximately 24.1 percent of the increase in net position in 2016 can be attributed to a large donation received. In 2015, 18.26 percent of the the increase in net position can be attributed to the Dollar General Grant for 21<sup>st</sup> Century Learners received near year end. 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, 2016, December 31, 2015 and December 31, 2014.

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2016 and 2015  
Unaudited

Table 2  
Changes in Net Position – Modified Cash Basis

	Governmental Activities		
	2016	2015	2014
<b>Receipts:</b>			
Program Cash Receipts			
Charges for Services	\$ 96,613	\$ 102,862	\$ 107,475
Operating Grants & Contributions	222,156	182,760	369,261
<b>Total Program Cash Receipts</b>	<b>318,769</b>	<b>285,622</b>	<b>476,736</b>
General Receipts			
Property Taxes Levied	1,563,321	1,487,779	1,589,109
Government Grants-in-Aid, PLF	2,785,292	2,812,589	2,381,683
Interest	75,215	58,174	50,270
Miscellaneous Receipts	57,574	32,043	71,561
Extraordinary Item	0	0	77,000
<b>Total General Receipts</b>	<b>4,481,402</b>	<b>4,390,585</b>	<b>4,169,623</b>
<b>Total Receipts</b>	<b>\$ 4,800,171</b>	<b>\$ 4,676,207</b>	<b>\$ 4,646,359</b>
<b>Disbursements:</b>			
Public Services			
Public Services & Programs	\$ 1,400,416	\$ 1,391,722	\$ 1,405,925
Collection Development & Processing	853,835	808,220	751,409
Support Services:			
Facilities Operation & Maintenance	492,357	473,205	452,916
Information Services	141,545	177,583	127,182
Business Administration	1,058,848	990,916	919,681
Capital Outlay	110,853	178,571	106,428
<b>Total Disbursements</b>	<b>\$ 4,057,854</b>	<b>\$ 4,020,217</b>	<b>\$ 3,763,541</b>
<b>Change in Net Position</b>	<b>\$ 742,317</b>	<b>\$ 655,990</b>	<b>\$ 882,818</b>

Program receipts only represent approximately 6.6 percent of total receipts in 2016 and 6.1 percent of total receipts in 2015. Program receipts are higher in 2016 in comparison to 2015 due to a large donation.

In 2016 general receipts represented 93.4 percent of the Library's overall receipts; and in 2015, general receipts represented 93.9 percent of the Library's total receipts. General receipts in 2016 included \$1,563,321 from the operating levy passed in November 2014. This represented 34.88 percent of general receipts. General receipts in 2015 included \$1,487,779 from the operating levy or 33.88 percent of general receipts. 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.

Total Disbursements increased by less than 1 percent in 2016 from 2015 and by 6.8 percent in 2015 from 2014. 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.

**Muskingum County Library System**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2016 and 2015**  
**Unaudited**

**Governmental Activities**

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. In both 2016 and 2015, the major program disbursements for governmental activities are for Public Services and Programs, Collection Development and Business Administration which account for 34.5, 21 and 26 percent of all governmental fund disbursements in 2016, respectively. In 2015 those same categories account for 34.6, 20 and 24.6 percent of all governmental fund disbursements, respectively. 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 general receipts which are presented at the bottom of the State of Activities.

Table 3  
Governmental Activities – Modified Cash Basis

	<b>Total Cost of Services 2016</b>	<b>Net Cost of Services 2016</b>
Library Services:		
Public Services & Programs	\$ 1,400,416	\$ 1,081,647
Collection Development & Processing	853,835	853,835
Support Services:		
Facilities Operation & Maintenance	492,357	492,357
Information Services	141,545	141,545
Business Administration	1,058,848	1,058,848
Capital Outlay	110,853	110,853
<b>Total Disbursements</b>	<b>\$ 4,057,854</b>	<b>\$ 3,739,085</b>
	<b>Total Cost of Services 2015</b>	<b>Net Cost of Services 2015</b>
Library Services:		
Public Services & Programs	\$ 1,391,722	\$ 1,106,100
Collection Development & Processing	808,220	808,220
Support Services:		
Facilities Operation & Maintenance	473,205	473,205
Information Services	177,583	177,583
Business Administration	990,916	990,916
Capital Outlay	178,571	178,571
<b>Total Disbursements</b>	<b>\$ 4,020,217</b>	<b>\$ 3,734,595</b>

**Muskingum County Library System**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2016 and 2015**  
**Unaudited**

	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
Library Services:		
Public Services & Programs	\$ 1,405,925	\$ 929,189
Collection Development & Processing	751,409	751,409
Support Services:		
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>Total Disbursements</b>	<b>\$ 3,763,541</b>	<b>\$ 3,286,805</b>

The dependence upon tax receipts and the Public Library Fund and other general revenues for governmental activities is demonstrated in the above tables. Approximately 92 percent of disbursements are supported through the Public Library Fund, tax receipts and other general revenues in both 2016 and 2015.

**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 \$840,442 and a decrease of \$41,985 in the Building and Repair Fund for 2016. The larger changes in fund balance in the General Fund can be partially attributed to the large donations received in 2016. The decrease in the Building and Repair Fund can be attributed to aging HVAC equipment system-wide and addressing lighting concerns on the main floor of the John McIntire Library.

In comparison, during 2015, the General Fund reflects an increase of \$669,744. The Building and Repair Fund reflected a decrease of \$6,881. 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. Under GASB 34 presentation requirements, the library is not required to present budgetary statements for the Building & Repair Fund.

During the course of both 2016 and 2015, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated. The difference between final budgeted receipts and actual receipts in 2016 was \$1,335 and final budgeted disbursements were \$4,660,380 and actual disbursements were \$4,059,694. In 2015, difference between final budgeted receipts and actual receipts was \$2,820 and final budgeted disbursements were \$4,560,533 and actual disbursements were \$3,919,205. The Library kept spending well within total budgeted amounts and had unencumbered cash fund balances of \$4.8 million for 2016 and \$4.2 million in 2015.

**Muskingum County Library System**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2016 and 2015  
Unaudited

**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. Balancing digital content, traditional library service and providing the community with opportunities to read, discover, explore and create and connect with each other will be a focus for the future.

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 passage of the property tax levy in 2009 and 2014, 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.

**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, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,797,375
Investments	<u>5,801,140</u>
<i>Total Assets</i>	<u><u>\$8,598,515</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$2,952,249
Other Purposes	64,025
Unrestricted	<u>5,582,241</u>
<i>Total Net Position</i>	<u><u>\$8,598,515</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, 2016*

	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	\$1,400,416	\$96,613	\$222,156	(\$1,081,647)
Collection Development and Processing	853,835	0	0	(853,835)
Support Services:				
Facilities Operation and Maintenance	492,357	0	0	(492,357)
Information Services	141,545	0	0	(141,545)
Business Administration	1,058,848	0	0	(1,058,848)
Capital Outlay	110,853	0	0	(110,853)
<b>Total Governmental Activities</b>	<b>\$4,057,854</b>	<b>\$96,613</b>	<b>\$222,156</b>	<b>(3,739,085)</b>
General Receipts:				
Property Taxes Levied for General Purposes				1,563,321
Intergovernmental				2,785,292
Earnings on Investments				75,215
Miscellaneous				57,574
<b>Total General Receipts and Extraordinary Item</b>				<b>4,481,402</b>
Change in Net Position				742,317
<b>Net Position Beginning of Year</b>				<b>7,856,198</b>
<b>Net Position End of Year</b>				<b>\$8,598,515</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, 2016*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,871,404	\$483,314	\$442,657	\$2,797,375
Investments	3,708,031	1,993,109	100,000	5,801,140
<i>Total Assets</i>	<u>\$5,579,435</u>	<u>\$2,476,423</u>	<u>\$542,657</u>	<u>\$8,598,515</u>
<b>Fund Balances</b>				
Restricted	\$0	\$0	\$64,025	\$64,025
Committed	0	0	\$2,806	2,806
Assigned	530,603	2,476,423	475,826	3,482,852
Unassigned (Deficit)	5,048,832	0	0	5,048,832
<i>Total Fund Balances</i>	<u>\$5,579,435</u>	<u>\$2,476,423</u>	<u>\$542,657</u>	<u>\$8,598,515</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, 2016*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$1,563,321	\$0	\$0	\$1,563,321
Intergovernmental	2,785,292	0	0	2,785,292
Patron Fines and Fees	62,038	0	0	62,038
Services Provided to Other Entities	34,575	0	0	34,575
Contributions, Gifts and Donations	215,933	0	6,223	222,156
Earnings on Investments	52,303	20,439	2,473	75,215
Miscellaneous	57,574	0	0	57,574
<i>Total Receipts</i>	<u>4,771,036</u>	<u>20,439</u>	<u>8,696</u>	<u>4,800,171</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,393,072	0	7,344	1,400,416
Collection Development and Processing	837,507	0	16,328	853,835
Support Services:				
Facilities Operation and Maintenance	434,984	57,373	0	492,357
Information Services	141,545	0	0	141,545
Business Administration	1,057,363	0	1,485	1,058,848
Capital Outlay	66,864	5,051	38,938	110,853
<i>Total Disbursements</i>	<u>3,931,335</u>	<u>62,424</u>	<u>64,095</u>	<u>4,057,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>839,701</u>	<u>(41,985)</u>	<u>(55,399)</u>	<u>742,317</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	741	0	0	741
Transfers Out	0	0	(741)	(741)
<i>Total Other Financing Sources (Uses)</i>	<u>741</u>	<u>0</u>	<u>(741)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	840,442	(41,985)	(56,140)	742,317
<i>Fund Balances Beginning of Year</i>	<u>4,738,993</u>	<u>2,518,408</u>	<u>598,797</u>	<u>7,856,198</u>
<i>Fund Balances End of Year</i>	<u>\$5,579,435</u>	<u>\$2,476,423</u>	<u>\$542,657</u>	<u>\$8,598,515</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, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,485,209	\$1,563,309	\$1,563,320	\$11
Intergovernmental	2,858,821	2,785,298	2,785,292	(6)
Patron Fines and Fees	76,650	61,150	62,038	888
Services Provided to Other Entities	34,450	34,450	34,575	125
Contributions, Gifts and Donations	17,000	206,182	206,933	751
Earnings on Investments	35,000	49,500	51,436	1,936
Miscellaneous	55,444	59,944	57,574	(2,370)
<i>Total Receipts</i>	<u>4,562,574</u>	<u>4,759,833</u>	<u>4,761,168</u>	<u>1,335</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,677,903	1,684,103	1,395,934	288,169
Collection Development and Processing	868,025	912,482	869,262	43,220
Support Services:				
Facilities Operation and Maintenance	484,066	494,101	461,392	32,709
Information Services	142,116	158,116	147,535	10,581
Business Administration	1,181,706	1,181,706	1,064,021	117,685
Capital Outlay	176,436	229,872	121,550	108,322
<i>Total Disbursements</i>	<u>4,530,252</u>	<u>4,660,380</u>	<u>4,059,694</u>	<u>600,686</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>32,322</u>	<u>99,453</u>	<u>701,474</u>	<u>602,021</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(179,182)	(179,182)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(179,182)</u>	<u>(179,182)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	32,322	(79,729)	522,292	602,021
<i>Unencumbered Fund Balance Beginning of Year</i>	4,298,749	4,298,749	4,298,749	0
Prior Year Encumbrances Appropriated	77,605	77,605	77,605	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$4,408,676</u>	<u>\$4,296,625</u>	<u>\$4,898,646</u>	<u>\$602,021</u>

See accompanying notes to the basic financial statements

**Muskingum County Library System**  
*Statement of Net Position - Modified Cash Basis*  
*December 31, 2015*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,419,430
Investments	<u>5,436,768</u>
<i>Total Assets</i>	<u><u>\$7,856,198</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$2,993,866
Other Purposes	121,538
Unrestricted	<u>4,740,794</u>
<i>Total Net Position</i>	<u><u>\$7,856,198</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, 2015*

	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	\$1,391,722	\$102,862	\$182,760	(\$1,106,100)
Collection Development and Processing	808,220	0	0	(808,220)
Support Services:				
Facilities Operation and Maintenance	473,205	0	0	(473,205)
Information Services	177,583	0	0	(177,583)
Business Administration	990,916	0	0	(990,916)
Capital Outlay	178,571	0	0	(178,571)
<i>Total Governmental Activities</i>	<u>\$4,020,217</u>	<u>\$102,862</u>	<u>\$182,760</u>	<u>(3,734,595)</u>
General Receipts:				
Property Taxes Levied for General Purposes				1,487,779
Intergovernmental				2,812,589
Earnings on Investments				58,174
Miscellaneous				32,043
<i>Total General Receipts and Extraordinary Item</i>				<u>4,390,585</u>
Change in Net Position				655,990
<i>Net Position Beginning of Year</i>				<u>7,200,208</u>
<i>Net Position End of Year</i>				<u>\$7,856,198</u>

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, 2015*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$952,252	\$1,093,408	\$373,770	\$2,419,430
Investments	3,786,741	1,425,000	225,027	5,436,768
<i>Total Assets</i>	<u>\$4,738,993</u>	<u>\$2,518,408</u>	<u>\$598,797</u>	<u>\$7,856,198</u>
<b>Fund Balances</b>				
Restricted	\$0	\$0	\$119,800	\$119,800
Committed	0	0	\$3,540	3,540
Assigned	77,605	2,518,408	475,457	3,071,470
Unassigned (Deficit)	4,661,388	0	0	4,661,388
<i>Total Fund Balances</i>	<u>\$4,738,993</u>	<u>\$2,518,408</u>	<u>\$598,797</u>	<u>\$7,856,198</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, 2015*

	General	Building & Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$1,487,779	\$0	\$0	\$1,487,779
Intergovernmental	2,812,589	0	0	2,812,589
Patron Fines and Fees	71,318	0	0	71,318
Services Provided to Other Entities	31,544	0	0	31,544
Contributions, Gifts and Donations	39,011	0	143,749	182,760
Earnings on Investments	38,060	18,251	1,863	58,174
Miscellaneous	32,043	0	0	32,043
<i>Total Receipts</i>	<u>4,512,344</u>	<u>18,251</u>	<u>145,612</u>	<u>4,676,207</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,391,722	0	0	1,391,722
Collection Development and Processing	807,467	0	753	808,220
Support Services:				
Facilities Operation and Maintenance	456,214	16,991	0	473,205
Information Services	128,025	0	49,558	177,583
Business Administration	966,017	0	24,899	990,916
Capital Outlay	92,155	8,141	78,275	178,571
<i>Total Disbursements</i>	<u>3,841,600</u>	<u>25,132</u>	<u>153,485</u>	<u>4,020,217</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>670,744</u>	<u>(6,881)</u>	<u>(7,873)</u>	<u>655,990</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	1,000	1,000
Transfers Out	(1,000)	0	0	(1,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000)</u>	<u>0</u>	<u>1,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	669,744	(6,881)	(6,873)	655,990
<i>Fund Balances Beginning of Year</i>	<u>4,069,249</u>	<u>2,525,289</u>	<u>605,670</u>	<u>7,200,208</u>
<i>Fund Balances End of Year</i>	<u>\$4,738,993</u>	<u>\$2,518,408</u>	<u>\$598,797</u>	<u>\$7,856,198</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, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$1,435,442	\$1,487,778	\$1,487,779	\$1
Intergovernmental	2,659,782	2,812,588	2,812,589	1
Patron Fines and Fees	82,050	58,200	71,318	13,118
Services Provided to Other Entities	33,250	31,600	31,544	(56)
Contributions, Gifts and Donations	17,000	21,235	39,011	17,776
Earnings on Investments	26,000	34,250	37,681	3,431
Miscellaneous	65,734	63,494	32,043	(31,451)
<i>Total Receipts</i>	<u>4,319,258</u>	<u>4,509,145</u>	<u>4,511,965</u>	<u>2,820</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	1,677,590	1,677,590	1,392,827	284,763
Collection Development and Processing	825,756	938,425	846,267	92,158
Support Services:				
Facilities Operation and Maintenance	492,964	502,079	475,025	27,054
Information Services	133,116	133,116	128,223	4,893
Business Administration	1,110,308	1,112,343	984,020	128,323
Capital Outlay	186,980	196,980	92,843	104,137
<i>Total Disbursements</i>	<u>4,426,714</u>	<u>4,560,533</u>	<u>3,919,205</u>	<u>641,328</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(107,456)</u>	<u>(51,388)</u>	<u>592,760</u>	<u>644,148</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	0	(1,000)	(1,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(107,456)</u>	<u>(52,388)</u>	<u>591,760</u>	<u>644,148</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	3,624,161	3,624,161	3,624,161	0
Prior Year Encumbrances Appropriated	82,828	82,828	82,828	0
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$3,599,533</u></u>	<u><u>\$3,654,601</u></u>	<u><u>\$4,298,749</u></u>	<u><u>\$644,148</u></u>

See accompanying notes to the basic financial statements



**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**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 3375.22 to 3375.27 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.

There is no potential for the Library to provide a financial benefit to or to impose a financial burden on the County Commissioners, nor can the County Commissioners significantly influence the programs, activities, or level of service performed or provided by the Library. The Library is fiscally independent of the County, although the County Commissioners serve in a ministerial capacity as the taxing authority. The determination to request approval of a tax, the rate, and the purpose(s) of the levy are discretionary decisions made solely by the Board of Library Trustees. Once these decisions are made, the County Commissioners must place the levy on the ballot.

Under the provisions of Statement No. 61 of the Governmental Accounting Standards Board, “The Financial Reporting Entity: Omnibus,” the Library is considered to be a related organization of Muskingum County.

***Component Units***

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.

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

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

As discussed further in the “Basis of Accounting” section of this note, 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.

***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. These statements include the financial activities of the library, except for fiduciary funds. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each 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.

***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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

**Fund Accounting (Continued)**

**Governmental Funds:** Governmental funds are those through which most governmental functions of the Library are financed. The following are the Library's major governmental funds:

**General Fund** – The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Building & Repair Fund** – The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for the acquisition, construction, renovation or repair of buildings, grounds and facilities.

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***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.

The Library's financial statements report follow the cash basis of accounting, modified to report investments as ORC 135 authorizes.

***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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

**Budgetary Process (Continued)**

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.

***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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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

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

During 2016 and 2015, the Library invested in nonnegotiable certificates of deposit, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The Library's money market mutual fund investments are recorded at the amount reported by Huntington National Bank and U.S. Bank on December 31, 2016 and 2015.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2016 was \$52,303 and \$38,060 in 2015.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

***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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

***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.

***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.

***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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

***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, Permanent Art Improvement Fund and 21<sup>st</sup> Century Learners 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.

***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

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

**Fund Balance (Continued)**

specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

*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.

***Internal Activity***

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.

**Note 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, 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). The General Fund encumbrances outstanding at year end (budgetary basis) amounted to \$128,360 for the year ended December 31, 2016 and \$77,605 at December 31, 2015.

As part of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, certain funds that are legally budgeted in separate Special Revenue Funds are considered part of the General Fund on the cash basis statements. This includes Anabell Norman, MCCF Annual Distribution, Legacy, and Alice Moody Funds in 2016 and the Anabell Norman, MCCF Annual Distribution, and Alice Moody Funds in 2015.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 4 – 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.

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. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 4 – Deposits and Investments (Continued)**

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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.

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

At year end, the Library had \$462 in undeposited cash on hand, which is included as part of “Equity in Pooled Cash and Cash Equivalents” on the financial statements.

***Deposits***

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, 2016, \$2,591,812 of the Library’s bank balance of \$2,941,812 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. At December 31, 2015, \$2,230,641 of the Library’s bank balance of \$2,580,641 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. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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.

***Investments***

The library reports their investments at cost or net asset value per share. The fair value of these investments is not materially different from cost.



**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 4 – Deposits and Investments (Continued)**

*Investments (Continued)*

The Library had the following investments at December 31, 2016:

Type	Value	< 1 Year	1 to 5 Years
Federal Agency Securities	\$ 5,801,140		\$ 5,801,140

The Library had the following investments at December 31, 2015:

Type	Value	< 1 Year	1 to 5 Years
Federal Agency Securities	\$ 5,430,781		\$ 5,430,781

**Interest Rate Risk** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library’s investment policy addresses interest rate risk by requiring 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

**Credit Risk** The security underlying the repurchase agreement, the Federal National Mortgage Association Notes, Federal Farm Credit, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of AAA by Standard & Poors. The money market fund carries a rating of AAAM by Standard & Poors. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Custodial Credit Risk** 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 are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Farm Credit, 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 or agent 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.”

**Concentration of Credit Risk** The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2016:

Investment Issuer	Percentage of Investments
Federal Farm Credit	12.08%
Federal Home Loan Bank	17.24%
Federal National Mortgage Association	40.93%
Federal Home Loan Mortgage Corporation	2.03%

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 4 – Deposits and Investments (Continued)**

The following investments represent five percent or more of total investments as of December 31, 2015:

Investment Issuer	Percentage of Investments
Federal Farm Credit	9.20%
Federal Home Loan Bank	4.83%
Federal National Mortgage Association	40.00%
Federal Home Loan Mortgage Corporation	22.99%

**Note 5 – Grants In Aid, Property Taxes and Tax Abatements**

***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 using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

***Property Taxes***

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Property tax receipts received in 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016 on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

2015 real property taxes are levied after October 1, 2015 on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 5 – Grants In Aid, Property Taxes and Tax Abatements (Continued)**

***Property Taxes (Continued)***

The full tax rate for all Library operations for the years ended December 31, 2016 and 2015, was \$1.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2016 and 2015 property tax receipts were based are as follows:

	<b>2016</b>	<b>2015</b>
Real Property	\$1,495,249,950	\$1,432,899,000
Public Utility Property	265,371,820	216,179,180
Total Assessed Values	\$1,760,621,770	\$1,760,621,770

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.

***Tax Abatements***

For 2016, Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures” was effective. This GASB pronouncement had no effect on beginning net position as reported December 31, 2015.

***Taxes Abated by Another Government***

Pursuant to Ohio Revised Code Chapter 5709, Muskingum County has established nine Enterprise Zone Tax agreements to encourage the development of real and commercial property and to promote economic development. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a 75%-100% abatement of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is adjusted on the assessed valuation of the improved property. The County also contracts with the overlapping school districts for payments in lieu of taxes when required by Ohio Revised Code. If the property owner does not fulfill their end of the agreement, the abatement is subject to termination or modification of exemptions and/or requires the owners/heirs/successors to make tax incentive donations for the life of the agreement. The Library’s taxes consist of 1 mill of the 11.05 mills related to County levies and are abated as part of these agreements of the County. Below is the information relevant to the disclosure of this program for the year ended December 31, 2016.

	Amount of 2016	Amount of 2016
Tax Abatement Program	County Taxes Abated	Library Taxes Abated
Enterprise Zone Tax Exemptions		
Real Property	\$498,729	\$45,134

As of December 31, 2016, the County’s and Library’s property taxes were reduced under Community Reinvestment Area (CRA) agreements and Enterprise Zone Tax Exemption agreements entered into by an overlapping government.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 5 – Grants In Aid, Property Taxes and Tax Abatements (Continued)**

*Taxes Abated by Another Government (Continued)*

	Amount of 2016	Amount of 2016
Overlapping Government	County Taxes Abated	Library Taxes Abated
Community Reinvestment Areas (CRAs)		
City of Zanesville	\$32,308	\$2,924
Enterprise Zone Tax Exemptions		
City of Zanesville	\$86,194	\$7,800

**Note 6 – 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 2016, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Utica National Insurance Group	Commercial Property	\$17,758,525
	Liability	1,000,000/2,000,000
	Commercial Crime	75,000
	Inland Marine	100,000
	Library Materials	4,732,287
	Vehicle	1,000,000
	EDP	175,000
	Employee Dishonesty	25,000
Travelers	Employee Benefits Liability	1,000,000/3,000,000
	Cyber Risk	1,000,000
Markel Insurance Company	Volunteer	300,000
Great American Insurance Group	Directors & Officers, Employment	
	Practices	2,000,000

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

The Library participates in the Ohio Library Council Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating libraries is calculated as one experience and a common premium is applied to all libraries in the GRP. Each participant pays its workers compensation premium to the state based on the rate for all libraries in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Ohio Library Council provides administrative, cost control and actuarial services to the GRP.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 7 – Defined Benefit Pension Plan**

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 and the combined plan is a cost-sharing, multiple-employers defined benefit pension plan with defined contribution features. While Library employees may elect the member directed and the combined plan, substantially all employee members are in OPERS’ traditional plan, therefore the following disclosure focuses on the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 227 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 7 – Defined Benefit Pension Plan (Continued)**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<b>State And Local</b>
<b>2016 and 2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2016 and 2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library’s contractually required contribution was \$253,812 for 2016 and \$252,592 for 2015.

**Note 8 – Post-employment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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. See OPERS’ CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 8 – Post-employment Benefits (Continued)**

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016 and 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016 and 2015, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board 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 third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$36,244, \$36,070, and \$35,555 respectively. The full amount has been contributed for 2016, 2015 and 2014.

**Note 9 – 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.

**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

**Note 9 – Other Employee Benefits (Continued)**

**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 10 – Constructions and Contractual Commitments**

In October of 2016, the Library entered into a contract with Lepi Enterprises for the renovation of the Dresden Branch Library in the amount of \$68,106. Work started in late December of 2016 and was completed in January of 2017.

**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. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<b>December 31, 2016</b>		<b>Building Maintenance &amp; Repair Fund</b>	<b>Other Governmental Funds</b>	
<b>Fund Balances</b>	<b>General</b>			<b>Total</b>
<b>Restricted For:</b>				
Dollar General Grant			64,025	64,025
<b>Committed to:</b>				
Duncan Falls Branch			2,806	2,806
<b>Assigned to:</b>				
Vendors	128,360			128,360
Other	402,243	2,476,423	475,826	3,354,492
Total Assigned	<u>530,603</u>	<u>2,476,423</u>	<u>475,826</u>	<u>3,482,852</u>
<b>Unassigned:</b>	<u>5,048,832</u>			<u>5,048,832</u>
<b>Total Fund Cash Balances December 31</b>	<u><u>5,579,435</u></u>	<u><u>2,476,423</u></u>	<u><u>542,657</u></u>	<u><u>8,598,515</u></u>



**Muskingum County Library System**  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2016 and 2015

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

<b>December 31, 2015</b>		<b>Building Maintenance &amp; Repair Fund</b>	<b>Other Governmental Funds</b>	
<b>Fund Balances</b>	<b>General</b>			<b>Total</b>
<b>Restricted For:</b>				
Dollar General Grant			119,800	119,800
<b>Committed to:</b>				
Duncan Falls Branch			1,802	1,802
McClelland Fund			1,738	1,738
<i>Total Committed</i>			<u>3,540</u>	<u>3,540</u>
<b>Assigned to:</b>				
Vendors	77,605			77,605
Other		2,518,408	475,457	2,993,865
<i>Total Assigned</i>	<u>77,605</u>	<u>2,518,408</u>	<u>475,457</u>	<u>3,071,470</u>
<b>Unassigned:</b>	<u>4,661,388</u>			<u>4,661,388</u>
<b><i>Total Fund Cash Balances December 31</i></b>	<u><u>4,738,993</u></u>	<u><u>2,518,408</u></u>	<u><u>598,797</u></u>	<u><u>7,856,198</u></u>

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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

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 modified cash-basis 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 15, 2017, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles. In addition, we noted the Library implemented Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*.

### ***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

June 15, 2017



# 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.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 27, 2017**