



Dave Yost • Auditor of State

**MUSKINGUM COUNTY LIBRARY SYSTEM
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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, 2010 and 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

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, 2010 and 2009, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Dave Yost
Auditor of State

May 9, 2011

Muskingum County Library System
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
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, 2010 and 2009, 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 2010 are as follows:

- General Receipts accounted for \$3,931,531 or 96.7 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$133,004 or 3.3 percent of total receipts.
- Net assets increased by \$831,387 or 22.7 percent. The fund affected by the increase in assets was the General Fund.
- The Library started receiving levy funds from the levy passed in 2009. This made a significant impact on the Library's General Fund as the Public Library Fund (PLF) decreased by \$154,078 or 6.1 percent.
- The Library received an LSTA Gates Computer Grant from the State of Ohio in the amount of \$25,350.

Key financial highlights for 2009 are as follows:

- General Receipts accounted for \$2,651,484 or 94.8 percent of all receipts. Program receipts in the form of charges for services, operating grants and contributions accounted for \$144,554 or 5.2 percent of total receipts.
- Net assets decreased \$495,254 or 11.9 percent in 2009. The funds most affected by the decrease in assets were the General and Other Governmental Funds, however, cost increases also affected the Building & Repair and Automation Funds.
- The Public Library Fund (PLF) was reduced in August of 2009 from 2.22 percent of the State of Ohio's General Revenue Fund to 1.97 percent.
- In November of 2009, the voters passed a 5 year, 1 mill operating levy expected to generate over \$1.4 million dollars annually for the Library beginning in January 2010.

Using this Annual Financial Report

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 Assets – 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, Building & Repair Fund and the Automation Fund.

Reporting the Library as a Whole

The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis reflects how the Library did financially during 2010 and 2009. These two statements report the Library's net

Muskingum County Library System
Management's Discussion and Analysis
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Unaudited

assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the Library as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. These factors must be considered when assessing the overall financial health of the Library.

In the Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, the Library presents a single type of activity, governmental activities. All of the Library's programs and services are reported here, including general public services, purchases and contracted services, library materials and information and capital outlay. These services are primarily funded by intergovernmental receipts.

Reporting the Library's Governmental Financial Statements

Governmental Financial Statements

The governmental financial statements provide detailed information about the Library's major funds: the General Fund, Building & Repair Fund and Automation Fund. While the Library uses many funds to account for its financial transactions, these are the most significant.

The Library's activities are reported in the governmental financial statements, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported on a modified cash basis of accounting. The governmental financial statements provide a short-term view of the Library's general government operations and the basic services being provided. Government financial statements help the user to determine whether there are more or fewer financial resources that can be spent in the future to finance library programs.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2010 compared to 2009 and 2009 as compared to 2008.

Table 1
Net Assets – Modified Cash Basis

	Governmental Activities		
	2010	2009	2008
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,251,091	\$ 2,070,837	\$ 2,415,153
Investments	2,250,258	1,599,125	1,750,063
Total Assets	<u>\$ 4,501,349</u>	<u>\$ 3,669,962</u>	<u>\$ 4,165,216</u>
Net Assets			
Restricted	\$ 3,350,827	\$ 3,392,385	\$ 3,741,350
Unrestricted	1,150,522	277,577	423,866
Total Net Assets	<u>\$ 4,501,349</u>	<u>\$ 3,669,962</u>	<u>\$ 4,165,216</u>

As mentioned previously, net assets of governmental activities increased by \$831,387 or 22.7 percent during 2010. This increase can be attributed to the operating levy passed in 2009.

Muskingum County Library System
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

In 2009 total assets decreased \$495,254 or 11.9 percent. This decrease can be attributed to several factors. State funding was cut and the Board adopted a more conservative view on expenses. Retirement and health care costs continued to increase.

Table 2 shows the changes in net assets for the year ended December 31, 2010, December 31, 2009 and December 31, 2008.

Table 2
Changes in Net Assets – Modified Cash Basis

	Governmental Activities		
	2010	2009	2008
Receipts:			
Program Cash Receipts			
Charges for Services	\$ 88,778	\$ 97,399	\$ 110,491
Operating Grants & Contributions	18,876	47,155	20,267
Capital Grants & Contributions	25,350	0	16,275
Total Program Cash Receipts	<u>133,004</u>	<u>144,554</u>	<u>147,033</u>
General Receipts			
Property Taxes Levied	1,447,254	0	0
Government Grants-in-Aid, PLF	2,391,747	2,545,825	3,097,181
Interest	65,455	81,432	159,907
Rental Income	18,085	13,193	8,357
Miscellaneous Receipts	8,990	11,034	43,440
Total General Receipts	<u>3,931,531</u>	<u>2,651,484</u>	<u>3,308,885</u>
Total Receipts	<u><u>\$ 4,064,535</u></u>	<u><u>\$ 2,796,038</u></u>	<u><u>\$ 3,455,918</u></u>
Disbursements:			
Public Services			
General Public Services	\$ 2,145,463	\$ 2,284,520	\$ 2,331,777
Purchased & Contracted Services	485,683	459,553	462,359
Library Materials & Information	497,803	481,808	631,365
Capital Outlay	104,199	65,411	504,394
Total Disbursements	<u><u>\$ 3,233,148</u></u>	<u><u>\$ 3,291,292</u></u>	<u><u>\$ 3,929,895</u></u>
Change in Net Assets	<u><u>\$ 831,387</u></u>	<u><u>\$ (495,254)</u></u>	<u><u>\$ (473,977)</u></u>

2010 program receipts show a decrease relevant to 2009. This can be attributed to the money received in 2009 through a donation. Charges for services can be seen to be decreasing in 2010 and 2009 when compared to 2008 mainly due to the change in use patterns for the Library. Library Customers are increasingly using online resources of the Library. These resources do not have the same due date restrictions that a book or video checked out would have, thus decreasing overdue charges.

In 2010 general receipts represented 96.7 percent of the Library's overall receipts; and in 2009, general receipts represented 94.8 percent of the Library's total receipts. General receipts in 2010 included \$1,447,254 from the operating levy passed in November 2009. This represented 36.8 percent of general receipts. General receipts in 2009 were made up almost entirely by the Public Library Fund (PLF) monies. Since these monies are provided by the State, it can be seen how any decreases in this funding source have a substantial impact on the services the Library can provide.

Muskingum County Library System
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Total Disbursements decreased by 1.8 percent in 2010 from 2009 and 16.3 percent in 2009 from 2008. This can be attributed to several factors. The first of which is in July of 2009, the Board of trustees implemented a plan to decrease expenditures given the dramatic changes in the Public Library Fund and the uncertainty of the passage of a levy. This plan included furlough of staff, staffing reductions through retirements and layoffs, reductions in hours of operation and reduction of appropriations. The operating levy did pass in November 2009 and the Library started receiving levy funds in 2010, the Board and Management of the Library have been evaluating operating decisions individually in an effort to be good stewards of the public funds.

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 property taxes, unrestricted government grants-in-aid, PLF.

Table 3
Governmental Activities – Modified Cash Basis

	Total Cost of Services 2010	Net Cost of Services 2010
Public Services		
General Public Services	\$ 2,145,463	\$ 2,012,459
Purchased & Contracted Services	485,683	485,683
Library Materials & Information	497,803	497,803
Capital Outlay	104,199	104,199
Total Disbursements	\$ 3,233,148	\$ 3,100,144
	Total Cost of Services 2009	Net Cost of Services 2009
Public Services		
General Public Services	\$ 2,284,520	\$ 2,139,966
Purchased & Contracted Services	459,553	459,553
Library Materials & Information	481,808	481,808
Capital Outlay	65,411	65,411
Total Disbursements	\$ 3,291,292	\$ 3,146,738
	Total Cost of Services 2008	Net Cost of Services 2008
Public Services		
General Public Services	\$ 2,331,777	\$ 2,201,019
Purchased & Contracted Services	462,359	462,359
Library Materials & Information	631,365	631,365
Capital Outlay	504,394	488,119
Total Disbursements	\$ 3,929,895	\$ 3,782,862

Muskingum County Library System
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
Unaudited

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, the Building and Repair Fund and the Automation Fund. A review of these funds reflects an increase in the fund balance of the General Fund of \$872,945, an increase of \$31,544 in the Building and Repair Fund, and a decrease of \$76,940 in the Automation Fund for 2010. The larger changes in fund balance in the General Fund can be attributed to the passage of the operating levy. The increase in the Building and Repair Fund can be attributed to the Board and Management's careful review of each expenditure decision. The Automation Fund decrease reflects the increase in disbursements from that fund due to the declining PLF fund and the Board's increasing reliance on this fund to keep up with automation.

In comparison, during 2009, fund balances decreased in all funds. The General Fund reflects a decrease of \$146,290. The Building and Repair Fund and Automation Fund reflected a decrease of \$35,788 and \$112,849, respectively. Again the changes in fund balance in the Building and Repair Fund and the Automation Fund reflects the increase in disbursements from these fund due to the decline of the PLF fund and the Board's increasing reliance on these funds.

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 2010 and 2009, the Library amended both its appropriations and estimated receipts. The budgetary statement reflects both the original and final amounts appropriated.

Economic Factors

Funding from the State of Ohio for the Public Library Fund was cut from 2.22 percent of the State of Ohio's General Revenue Fund to 1.97 percent. The uncertainty surrounding the State of Ohio's tax revenue and finances in 2009 and 2010 have caused the Library to carefully evaluate each decision to spend money. The Library is increasing partnerships with other libraries and local governments in an effort to increase efficiencies and effectiveness.

The Library passed a 1 mill operating levy in November of 2009. The Library started receiving monies from the levy in 2010. This levy significantly impacted the operations of the Library. It allowed reinstatement of hours of operation and purchase of additional library materials and resources.

The Board and Library administration have faced difficult decisions in an era of uncertain funding levels. While the operating levy passage has eased some of the uncertainty, the Library is still dependent on the Public Library Fund and funding continues to be uncertain at the State level. The Library's use continues to grow even in periods of hard economic times. A stable funding stream for libraries will protect the quality of service to library patrons.

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, Muskingum County

Statement of Net Assets - Modified Cash Basis

December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,251,091
Investments	<u>2,250,258</u>
<i>Total Assets</i>	<u><u>\$4,501,349</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,329,153
Other Purposes	21,674
Unrestricted	<u>1,150,522</u>
<i>Total Net Assets</i>	<u><u>\$4,501,349</u></u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Public Services					
General Public Services	\$2,145,463	\$88,778	\$18,876	\$25,350	(\$2,012,459)
Purchased and Contracted Services	485,683				(485,683)
Library Materials and Information	497,803				(497,803)
Capital Outlay	104,199				(104,199)
<i>Total Governmental Activities</i>	<u>\$3,233,148</u>	<u>\$88,778</u>	<u>\$18,876</u>	<u>\$25,350</u>	<u>(3,100,144)</u>
General Receipts					
					1,447,254
Property Taxes Levied for General Purposes					2,391,747
Government Grants In Aid - PLF					65,455
Interest					18,085
Rental Income					8,990
Miscellaneous					<u>3,931,531</u>
<i>Total General Receipts</i>					<u>3,931,531</u>
Change in Net Assets					831,387
<i>Net Assets Beginning of Year</i>					<u>3,669,962</u>
<i>Net Assets End of Year</i>					<u>\$4,501,349</u>

See accompanying notes to the basic financial statements

Muskingum County Library System Library, Muskingum County
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2010

	General	Building & Repair Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$900,522	\$863,133	\$455,712	\$31,724	\$2,251,091
Investments	250,000	1,700,252	300,006		2,250,258
<i>Total Assets</i>	<u>\$1,150,522</u>	<u>\$2,563,385</u>	<u>\$755,718</u>	<u>\$31,724</u>	<u>\$4,501,349</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$52,315	\$5,519		\$399	\$58,233
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,098,207				1,098,207
Special Revenue Funds				21,275	21,275
Capital Projects Funds		2,557,866	\$755,718	10,050	3,323,634
<i>Total Fund Balances</i>	<u>\$1,150,522</u>	<u>\$2,563,385</u>	<u>\$755,718</u>	<u>\$31,724</u>	<u>\$4,501,349</u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2010

	General	Building & Repair Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$1,447,254				\$1,447,254
Intergovernmental	2,391,747			\$25,350	2,417,097
Patron Fines and Fees	88,778				88,778
Contributions, Gifts and Donations	16,600			2,276	18,876
Earnings on Investments	4,869	\$45,714	\$14,753	119	65,455
Rental Income	18,085				18,085
Miscellaneous	8,990				8,990
<i>Total Receipts</i>	<u>3,976,323</u>	<u>45,714</u>	<u>14,753</u>	<u>27,745</u>	<u>4,064,535</u>
Disbursements					
Current:					
Public Services:					
General Public Services	2,145,186		277		2,145,463
Purchased and Contracted Services	453,541	2,144	23,211	6,787	485,683
Library & Materials Information	497,803				497,803
Capital Outlay	6,848	12,026	52,605	32,720	104,199
<i>Total Disbursements</i>	<u>3,103,378</u>	<u>14,170</u>	<u>76,093</u>	<u>39,507</u>	<u>3,233,148</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>872,945</u>	<u>31,544</u>	<u>(61,340)</u>	<u>(11,762)</u>	<u>831,387</u>
Other Financing Sources (Uses)					
Advances In				15,600	15,600
Advances Out			(15,600)		(15,600)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(15,600)</u>	<u>15,600</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	872,945	31,544	(76,940)	3,838	831,387
<i>Fund Balances Beginning of Year</i>	<u>277,577</u>	<u>2,531,841</u>	<u>832,658</u>	<u>27,886</u>	<u>3,669,962</u>
<i>Fund Balances End of Year</i>	<u>\$1,150,522</u>	<u>\$2,563,385</u>	<u>\$755,718</u>	<u>\$31,724</u>	<u>\$4,501,349</u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,457,296	\$1,440,892	\$1,447,254	\$6,362
Intergovernmental	2,370,981	2,391,747	2,391,747	0
Patron Fines and Fees	107,950	94,850	88,778	(6,072)
Services Provided to Others	11,800	18,300	18,085	(215)
Contributions, Gifts and Donations	16,000	16,650	16,600	(50)
Earnings on Investments	2,500	4,000	4,869	869
Miscellaneous	5,250	8,250	8,990	740
<i>Total Receipts</i>	3,971,777	3,974,689	3,976,323	1,634
Disbursements				
Current:				
Public Services:				
General Public Services	2,309,031	2,279,501	2,145,918	133,583
Purchased and Contracted Services	496,420	539,909	478,295	61,614
Library & Materials Information	532,671	532,942	524,618	8,324
Capital Outlay	10,050	10,050	6,861	3,189
<i>Total Disbursements</i>	3,348,172	3,362,402	3,155,692	206,710
<i>Excess of Receipts Over (Under) Disbursements</i>	623,605	612,287	820,631	208,344
<i>Fund Balance Beginning of Year</i>	198,793	198,793	198,793	0
<i>Prior Year Encumbrances Appropriated</i>	78,783	78,783	78,783	0
<i>Fund Balance End of Year</i>	\$901,181	\$889,863	\$1,098,207	\$208,344

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County

Statement of Net Assets - Modified Cash Basis

December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,070,837
Investments	<u>1,599,125</u>
<i>Total Assets</i>	<u><u>\$3,669,962</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$3,374,506
Other Purposes	17,879
Unrestricted	<u>277,577</u>
<i>Total Net Assets</i>	<u><u>\$3,669,962</u></u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2009

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Public Services				
General Public Services	\$2,284,520	\$97,399	\$47,155	(\$2,139,966)
Purchased and Contracted Services	459,553			(459,553)
Library Materials and Information	481,808			(481,808)
Capital Outlay	65,411			(65,411)
<i>Total Governmental Activities</i>	<u>\$3,291,292</u>	<u>\$97,399</u>	<u>\$47,155</u>	<u>(3,146,738)</u>
		General Receipts		
				2,545,825
				81,432
				13,193
				11,034
			<i>Total General Receipts</i>	<u>2,651,484</u>
			Change in Net Assets	(495,254)
			<i>Net Assets Beginning of Year</i>	<u>4,165,216</u>
			<i>Net Assets End of Year</i>	<u><u>\$3,669,962</u></u>

See accompanying notes to the basic financial statements

Muskingum County Library System Library, Muskingum County
Statement of Assets and Fund Balances- Modified Cash Basis
Governmental Funds
December 31, 2009

	General	Building & Repair Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$277,577	\$1,432,716	\$332,658	\$27,886	\$2,070,837
Investments		1,099,125	500,000		1,599,125
<i>Total Assets</i>	<u>\$277,577</u>	<u>\$2,531,841</u>	<u>\$832,658</u>	<u>\$27,886</u>	<u>\$3,669,962</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$78,783	\$300	\$1,958		\$81,041
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	198,794				198,794
Special Revenue Funds				\$17,879	17,879
Capital Projects Funds		2,531,541	830,700	10,007	3,372,248
<i>Total Fund Balances</i>	<u>\$277,577</u>	<u>\$2,531,841</u>	<u>\$832,658</u>	<u>\$27,886</u>	<u>\$3,669,962</u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2009

	General	Building & Repair Fund	Automation Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$2,545,825				\$2,545,825
Patron Fines and Fees	97,399				97,399
Contributions, Gifts and Donations	44,737			\$2,418	47,155
Earnings on Investments	2,316	\$54,293	\$24,450	373	81,432
Rental Income	13,193				13,193
Miscellaneous	11,034				11,034
<i>Total Receipts</i>	<u>2,714,504</u>	<u>54,293</u>	<u>24,450</u>	<u>2,791</u>	<u>2,796,038</u>
Disbursements					
Current:					
Public Services:					
General Public Services	2,237,788		1,717	45,015	2,284,520
Purchased and Contracted Services	326,017	57,733	73,409	2,394	459,553
Library & Materials Information	481,808				481,808
Capital Outlay	156	32,348	32,907		65,411
<i>Total Disbursements</i>	<u>3,045,769</u>	<u>90,081</u>	<u>108,033</u>	<u>47,409</u>	<u>3,291,292</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(331,265)</u>	<u>(35,788)</u>	<u>(83,583)</u>	<u>(44,618)</u>	<u>(495,254)</u>
Other Financing Sources (Uses)					
Transfers In	184,975				184,975
Transfers Out			(29,266)	(155,709)	(184,975)
<i>Total Other Financing Sources (Uses)</i>	<u>184,975</u>	<u>0</u>	<u>(29,266)</u>	<u>(155,709)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(146,290)	(35,788)	(112,849)	(200,327)	(495,254)
<i>Fund Balances Beginning of Year</i>	<u>423,867</u>	<u>2,567,629</u>	<u>945,507</u>	<u>228,213</u>	<u>4,165,216</u>
<i>Fund Balances End of Year</i>	<u>\$277,577</u>	<u>\$2,531,841</u>	<u>\$832,658</u>	<u>\$27,886</u>	<u>\$3,669,962</u>

See accompanying notes to the basic financial statements

Muskingum County Library System, Muskingum County
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$2,885,302	\$2,545,725	\$2,545,825	\$100
Patron Fines and Fees	111,050	99,050	97,399	(1,651)
Services Provided to Others	10,300	12,300	13,193	893
Contributions, Gifts and Donations	16,500	43,240	44,737	1,497
Earnings on Investments	6,500	2,350	2,316	(34)
Miscellaneous	5,500	10,400	11,034	634
<i>Total Receipts</i>	<u>3,035,152</u>	<u>2,713,065</u>	<u>2,714,504</u>	<u>1,439</u>
Disbursements				
Current:				
Public Services:				
General Public Services	2,436,556	2,307,345	2,247,001	60,344
Purchased and Contracted Services	395,100	389,376	343,682	45,694
Library & Materials Information	551,425	537,523	533,713	3,810
Capital Outlay	4,500	2,660	156	2,504
<i>Total Disbursements</i>	<u>3,387,581</u>	<u>3,236,904</u>	<u>3,124,552</u>	<u>112,352</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(352,429)</u>	<u>(523,839)</u>	<u>(410,048)</u>	<u>113,791</u>
Other Financing Sources (Uses)				
Transfers In	31,021	184,975	184,975	0
<i>Total Other Financing Sources (Uses)</i>	<u>31,021</u>	<u>184,975</u>	<u>184,975</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(321,408)</u>	<u>(338,864)</u>	<u>(225,073)</u>	<u>113,791</u>
<i>Fund Balance Beginning of Year</i>	336,408	336,408	336,408	0
Prior Year Encumbrances Appropriated	87,458	87,458	87,458	0
<i>Fund Balance End of Year</i>	<u>\$102,458</u>	<u>\$85,002</u>	<u>\$198,793</u>	<u>\$113,791</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, 2010 and 2009

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).

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 assets 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 assets 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. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. 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.

Governmental 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. Governmental financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental 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. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund – The General Fund 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.

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

Automation Fund – This fund is used to account for monies that are restricted for computer technology system improvements.

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 budgeted and appropriated. The appropriation resolution is the Board of Library Trustee's authorization to spend resources and set annual 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."

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

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.

During 2010, 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 2010 amounted to \$4,869 and \$2,316 in 2009.

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. Restricted assets at December 31, 2010 consisted of \$9,331 donated for use at the Roseville Branch Library.

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. 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.

J. Employer Contributions to Cost-Sharing Pension Plans

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

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets 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.

L. Fund Balance Reserves

The Library reserves any portion of fund balance which is not available for appropriation or expenditure or which is legally segregated for a specific future use. Fund reserves have been established for encumbrances. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

Note 3 – Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio Public Libraries is the Public Library Fund (PLF). The PLF is 2.22 percent of the State of Ohio's General Revenue Fund. In August of 2009, it was temporarily reduced to 1.97 percent of the State of Ohio's General Revenue Fund and remains at that level. The State allocates PLF to each county based on the county's prior year PLF and its population. The County Budget Commission allocated these funds to the Library based on its needs such as the construction of new library buildings, improvements, operation, maintenance or other expenses. The Budget Commission cannot reduce its allocation of these fund to the Library based on any additional revenue the Library receives.

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 a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$52,315 and \$78,783 for the years ended December 31, 2010 and 2009, respectively.

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.

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.

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 5 – Deposits and Investments (Continued)

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

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."

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, 2010, \$722,853 of the Library's deposits 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.

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, 2009, \$770,374 of the Library's deposits were exposed to custodial credit risk because those deposits

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 5 – Deposits and Investments (Continued)

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, 2010:

<u>Type</u>	<u>Value</u>	<u>< 1 Year</u>	<u>3 to 5 Years</u>
Federal Agency Securities	\$ 2,250,258		\$ 2,250,258
Certificates of Deposit	945,225	945,225	
Total Deposits and Investments	<u>\$ 3,195,483</u>	<u>\$ 945,225</u>	<u>\$ 2,250,258</u>

The Library had the following investments at December 31, 2009:

<u>Type</u>	<u>Value</u>	<u>< 1 Year</u>	<u>3 to 5 Years</u>
Federal Agency Securities	\$ 1,599,125		\$ 1,599,125
Certificates of Deposit	859,279	859,279	
Total Deposits and Investments	<u>\$ 2,458,404</u>	<u>\$ 859,279</u>	<u>\$ 1,599,125</u>

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."

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 6 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Ohio School District. Property tax receipts received in 2010 for real and public utility property taxes represents collections of the 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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, 2010, was \$1.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 (2008) property tax receipts were based are as follows:

Real Property	\$1,452,447,590
Public Utility Property	80,156,260
Tangible Personal Property	1,467,905
Total Assessed Values	\$1,534,071,755

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 2010, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Amount of Coverage
Utica National	Commercial Property	\$15,146,897
	Liability	2,000,000
	Commercial Crime	100,000
	Inland Marine	6,185,542
	Vehicle	1,000,000
	Employee Dishonesty	100,000
	Employee Benefits Liability	1,000,000
American International Group	Volunteer	300,000
	Directors & Officers, 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.

Note 8 – 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

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 8 – Defined Benefit Pension Plan (Continued)

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 to 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, 2010 and 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2010 and 2009 was 14 percent of covered payroll. For 2010, a portion of the Library's contribution equal to 5.5 percent of covered payroll from January 1, 2010 through February 28, 2010 and 5 percent of covered payroll from March 1, 2010 through December 31, 2010 was allocated to fund the post-employment healthcare plan. For the period of January 1, 2009 through March 31, 2009, 7 percent of covered payroll was allocated for the post-employment healthcare plan; for the period April 1, 2009 through December 31, 2009, this amount decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional plan for the years ended December 31, 2010, 2009 and 2008 were \$136,609, \$140,458 and \$119,410, respectively. The full amount has been contributed for 2010, 2009 and 2008. No contributions were made to the member directed or combined plans.

Note 9 – Post-employment Benefits

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided 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.

Muskingum County Library System
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 9 – Post-employment Benefits (Continued)

Funding Policy – The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that 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.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010 and 2009, 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. The amount of employer contributions which was allocated to fund post-employment healthcare in 2010 was 5.5 percent of covered payroll from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The amount of employer contributions which was allocated to fund post-employment healthcare in 2009 was 7 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The Retirement Board is also authorized to establish rules for payment of a portion of the healthcare benefits provided to the retiree or retiree's surviving beneficiaries. 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, 2010, 2009 and 2008 were \$77,880, \$101,562 and \$119,410 respectively. The full amount has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008, which allowed additional funds to be allocated to the healthcare plan.

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 – Interfund Transfers and Advances

In 2010, the Automation Fund Advanced \$15,600 to the LSTA Gates Grant Fund. This advance allowed the library to purchase all equipment listed under the grant. The reimbursement for second half of the grant was requested in 2010 and monies are expected to be repaid in 2011.

In 2009, the Board of Trustees transferred \$74,358 from the Penny Gibson Special Revenue Fund, \$81,351 from the Permanent Art Improvement Fund and \$29,266 from the Automation Funds to the General Fund to alleviate budget pressures.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 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, 2010 and 2009, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 9, 2011, wherein we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated May 9, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

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

May 9, 2011



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 2, 2011