



Dave Yost • Auditor of State



**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Kate Love Simpson Library  
Morgan County  
358 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

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

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

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Kate Love Simpson Library, Morgan County, Ohio, as of June 4, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 1.

**Accounting Basis**

We draw attention to Note 1 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

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

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 2, 2014

Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

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

### **Highlights**

Key highlights for 2013 are as follows:

Net assets of governmental activities increased \$12,331, or 2.5 percent. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Library's general receipts are primarily from the Public Library Fund and property taxes from a five-year tax levy. These receipts represent respectively 54.5 and 36.3 percent of the total cash received for governmental activities during the year. Property tax levy receipts for 2013 changed significantly compared to 2012.

The Library's major construction project for 2013 was roof replacement at the main library. The cost of the project was encumbered at the end of fiscal year 2012. The project was finished in July 2013.

Key highlights for 2012 are as follows:

Net assets of governmental activities decreased \$27,187, or 5.3% percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2012.

The Library's general receipts are primarily from the Public Library and property taxes from a five year tax levy. These receipts represent respectively 54.2 and 33.5 percent of the total cash received for governmental activities during the year. Property tax levy receipts for 2012 changed very little compared to 2011 as development within the County had slowed.

The Library's major project for 2012 was a computer virtualization project through Kinetic Networking.

### **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**

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

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

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

Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

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**Basis of Accounting**

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

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

**Reporting the Library as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the Library year end. The statement of activities compares cash disbursements with program receipts for each Library 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 Library 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 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 Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major revenue source, the Public Library Fund.

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

Governmental activities. All of the Library's basic services are reported here. The Public Library Fund and property taxes provided by a levy 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 establishes separate funds to better manage its 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 categorized as governmental.

**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 information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.



Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

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The Library's two major governmental funds are the General Fund and the Building Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

	Governmental Activities		
	2013	2012	2011
<b>Assets</b>			
Cash and Cash Equivalents	\$498,041	\$485,710	\$512,897
Total Assets	\$498,041	\$485,710	\$512,897
<b>Net Position</b>			
Restricted for:			
Debt Service			
Capital Outlay	9,725	194,403	109,403
Other Purposes	55,066		
Unrestricted	433,250	291,307	403,494
Total Net Position	\$498,041	\$485,710	\$512,897

As mentioned previously, net position of governmental activities increased \$12,331, or 2.5 percent, during 2013. The primary reason contributing to the increase in cash balances was that the Library saw an increase in local property tax levy receipts due to property evaluations.

Also as mentioned previously, net position of governmental activities decreased \$ 27,187, or 5.3 percent, during 2012. The primary reason contributing to the decrease in cash balances was that the Library virtualization project was funded with carry-over cash reserves which impacted the net assets of the Library.

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

Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

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

	Governmental Activities		
	2013	2012	2011
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$16,641	\$16,760	\$17,262
Total Program Receipts	<u>16,641</u>	<u>16,760</u>	<u>17,262</u>
General Receipts:			
Property and Other Local Taxes	305,441	279,117	273,486
Grants and Entitlements Not Restricted to Specific Programs	409,421	404,943	439,369
Interest	5,362	22,127	20,550
Miscellaneous	12,231	14,759	11,689
Total General Receipts	<u>732,455</u>	<u>720,946</u>	<u>745,094</u>
Total Receipts	<u>749,096</u>	<u>737,706</u>	<u>762,356</u>
Disbursements:			
Library Services	574,939	660,114	558,403
Capital Outlay	161,826	104,779	43,213
Total Disbursements	<u>736,765</u>	<u>764,893</u>	<u>601,616</u>
Increase (Decrease) in Net Position	12,331	(27,187)	160,740
Net Position, January 1	<u>485,710</u>	<u>512,897</u>	<u>352,157</u>
Net Position, December 31	<u>\$498,041</u>	<u>\$485,710</u>	<u>\$512,897</u>

Program receipts represent only 2.2 percent and 2 percent of total receipts for both 2013 and 2012, respectively, and are primarily comprised of fines and fees for overdue materials, charges for faxes, and patron copies.

In 2013, general receipts represent 97.8 percent of the Library's total receipts, and of this amount, over 41 percent are local taxes. State and federal grants and entitlements are 56 percent and other receipts make up the final 3 percent of the Library's General Receipts.

In 2012, general receipts represent 97.8 percent of the Library's total receipts, and of this amount, over 38 percent are local taxes. State and federal grants and entitlements make up 56 percent and other receipts make up the final 4 percent of the Library's General Receipts.

Disbursements for Library Services represent the overhead costs of running the Library and the support services provided for other Library activities. These include the costs of payroll, building operations, computers and software, library materials and information, and supplies. Since these costs do represent direct services to residents, these costs represent 78.4 percent of General Fund unrestricted receipts for 2013 and 91.7 percent for 2012.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services, which account for 78 percent of all governmental disbursements.

Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

The next column of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service received by the Library that must be used to provide a specific service.

The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the Public Library Fund and the local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>					
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012	2011	2011
Library Services	\$574,939	(\$558,298)	\$660,114	(\$643,354)	\$558,403	(\$541,142)
Capital Outlay	161,826	(161,826)	104,779	(104,779)	43,213	(43,213)
Total Expenses	<u>\$736,765</u>	<u>(\$720,124)</u>	<u>\$764,893</u>	<u>(\$748,133)</u>	<u>\$601,616</u>	<u>(\$584,355)</u>

The dependence upon the Public Library Fund and property tax receipts is apparent as 97.2 percent and 89.5 percent of governmental activities are supported through these general receipts for 2013 and 2012, respectively.

**The Library's Funds**

For 2013, total governmental funds had operating receipts of \$748,396 and disbursements of \$736,765. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$12,331 as the result of increased revenue from the local tax levy.

For 2012, total governmental funds had operating receipts of \$736,746 and disbursements of \$764,893. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$28,187 due to the library using carry-over funds for the library virtualization project.

**General Fund Budgeting Highlights**

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

During 2013 and 2012, the Library did not need to amend its General Fund budget. Final budgeted receipts were above original budgeted receipts due to the increase in property taxes. The difference between final budgeted receipts and actual receipts was not significant.

For 2013, final disbursements were budgeted at \$712,093 while actual disbursements were \$634,063. For 2012, final disbursements were budgeted at \$768,213 while actual disbursements were \$767,286. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the Public Library Fund and local levy taxes and have very little industry to support the tax base.

Kate Love Simpson Morgan County Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013 and 2012  
Unaudited

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**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Laura M. Walker, Fiscal Officer, Kate Love Simpson Morgan County Library, 358 East Main Street, McConnelsville, Ohio 43756.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$498,041</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$9,725
Other Purposes	55,066
Unrestricted	<u>433,250</u>
<i>Total Net Position</i>	<u>\$498,041</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	Cash Disbursements	Program Cash Receipts  Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Position  Governmental Activities
<b>Governmental Activities</b>			
Library Services	\$574,939	\$16,641	(\$558,298)
Capital Outlay	161,826		(161,826)
<i>Totals</i>	<b>\$736,765</b>	<b>\$16,641</b>	<b>(720,124)</b>
<b>General Receipts</b>			
			300,758
			4,683
			1,885
			409,421
			700
			5,362
			9,646
			<i>Total General Receipts</i> 732,455
			12,331
			<i>Net Position Beginning of Year</i> 485,710
			<i>Net Position End of Year</i> \$498,041

See accompanying notes to the financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$464,732</u>	<u>\$33,309</u>	<u>\$0</u>	<u>\$498,041</u>
<b>Fund Balances</b>				
Committed		\$9,725		\$9,725
Assigned	\$55,067	23,584		78,651
Unassigned	<u>409,665</u>			<u>409,665</u>
<i>Total Fund Balances</i>	<u>\$464,732</u>	<u>\$33,309</u>	<u>\$0</u>	<u>\$498,041</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	General	Building Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$271,530	\$0	\$0	\$271,530
Public Library	408,476			408,476
Intergovernmental	34,856			34,856
Patron Fines and Fees	16,641			16,641
Contributions, Gifts and Donations	1,885			1,885
Earnings on Investments	5,362			5,362
Miscellaneous	9,646			9,646
<i>Total Receipts</i>	<u>748,396</u>	<u>0</u>	<u>0</u>	<u>748,396</u>
<b>Disbursements</b>				
Library Services	574,939			574,939
Capital Outlay	4,058	157,768		161,826
<i>Total Disbursements</i>	<u>578,997</u>	<u>157,768</u>	<u>0</u>	<u>736,765</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>169,399</u>	<u>(157,768)</u>	<u>0</u>	<u>11,631</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	700			700
Transfers In	3,326			3,326
Transfers Out			(3,326)	(3,326)
<i>Total Other Financing Sources (Uses)</i>	<u>4,026</u>	<u>0</u>	<u>(3,326)</u>	<u>700</u>
<i>Net Change in Fund Balance</i>	173,425	(157,768)	(3,326)	12,331
<i>Fund Balances Beginning of Year</i>	<u>291,307</u>	<u>191,077</u>	<u>3,326</u>	<u>485,710</u>
<i>Fund Balances End of Year</i>	<u>\$464,732</u>	<u>\$33,309</u>	<u>\$0</u>	<u>\$498,041</u>

See accompanying notes to the financial statements.



**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$231,235	\$231,235	\$271,530	\$40,295
Public Library	410,511	410,511	408,476	(2,035)
Intergovernmental	31,448	31,448	34,856	3,408
Patron Fines and Fees	20,000	20,000	16,641	(3,359)
Contributions, Gifts and Donations	1,500	1,500	1,885	385
Earnings on Investments	1,500	1,500	5,362	3,862
Miscellaneous	12,750	12,750	9,646	(3,104)
<i>Total Receipts</i>	<u>708,944</u>	<u>708,944</u>	<u>748,396</u>	<u>39,452</u>
<b>Disbursements</b>				
Library Services	680,793	657,093	580,005	77,088
Capital Outlay	10,000	55,000	54,058	942
<i>Total Disbursements</i>	<u>690,793</u>	<u>712,093</u>	<u>634,063</u>	<u>78,030</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,151</u>	<u>(3,149)</u>	<u>114,333</u>	<u>117,482</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	850	850	700	(150)
Transfers In			3,326	3,326
Other Financing Uses	(21,300)			0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,450)</u>	<u>850</u>	<u>4,026</u>	<u>3,176</u>
<i>Net Change in Fund Balance</i>	(2,299)	(2,299)	118,359	120,658
<i>Fund Balance Beginning of Year</i>	288,914	288,914	288,914	0
Prior Year Encumbrances Appropriated	2,393	2,393	2,393	0
<i>Fund Balance End of Year</i>	<u>\$289,008</u>	<u>\$289,008</u>	<u>\$409,666</u>	<u>\$120,658</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$485,710</u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$194,403
Other Purposes	
Unrestricted	<u>291,307</u>
<i>Total Net Position</i>	<u>\$485,710</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
<b>Governmental Activities</b>		Charges for Services and Sales	Governmental Activities
Library Services	\$660,114	\$16,760	(\$643,354)
Capital Outlay	104,779		(104,779)
<i>Totals</i>	\$764,893	\$16,760	(748,133)
<b>General Receipts</b>			
			275,546
			3,571
			758
			404,943
			960
			22,127
			13,041
			<i>Total General Receipts</i> 720,946
			<i>Change in Net Position</i> (27,187)
			<i>Net Position Beginning of Year</i> 512,897
			<i>Net Position End of Year</i> \$485,710

See accompanying notes to the financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	<u>General</u>	<u>Building Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$291,307</u>	<u>\$191,077</u>	<u>\$3,326</u>	<u>\$485,710</u>
<b>Fund Balances</b>				
Committed		\$167,493		\$167,493
Assigned	\$2,393	23,584	\$3,326	29,303
Unassigned	<u>288,914</u>			<u>288,914</u>
<i>Total Fund Balances</i>	<u>\$291,307</u>	<u>\$191,077</u>	<u>\$3,326</u>	<u>\$485,710</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	General	Building Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$247,200	\$	\$	\$247,200
Public Library	399,297			399,297
Intergovernmental	37,562			37,562
Patron Fines and Fees	16,761			16,761
Contributions, Gifts and Donations	758			758
Earnings on Investments	22,127			22,127
Miscellaneous	13,041			13,041
<i>Total Receipts</i>	<u>736,746</u>	<u>0</u>	<u>0</u>	<u>736,746</u>
<b>Disbursements</b>				
Library Services	660,114			660,114
Capital Outlay	104,779			104,779
<i>Total Disbursements</i>	<u>764,893</u>	<u>0</u>	<u>0</u>	<u>764,893</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,147)</u>	<u>0</u>	<u>0</u>	<u>(28,147)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	960			960
Transfers In		150,000		150,000
Transfers Out	(85,000)		(65,000)	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(84,040)</u>	<u>150,000</u>	<u>(65,000)</u>	<u>960</u>
<i>Net Change in Fund Balance</i>	<u>(112,187)</u>	<u>150,000</u>	<u>(65,000)</u>	<u>(27,187)</u>
<i>Fund Balances Beginning of Year</i>	<u>403,494</u>	<u>41,077</u>	<u>68,326</u>	<u>512,897</u>
<i>Fund Balances End of Year</i>	<u>\$291,307</u>	<u>\$191,077</u>	<u>\$3,326</u>	<u>\$485,710</u>

See accompanying notes to the financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$233,279	\$233,279	\$247,200	\$13,921
Public Library	399,570	399,570	399,297	(273)
Intergovernmental	25,000	25,000	37,562	12,562
Patron Fines and Fees	20,000	20,000	16,761	(3,239)
Contributions, Gifts and Donations	1,500	1,500	758	(742)
Earnings on Investments	20,000	20,000	22,127	2,127
Miscellaneous	13,600	13,600	13,041	(559)
<i>Total Receipts</i>	<u>712,949</u>	<u>712,949</u>	<u>736,746</u>	<u>23,797</u>
<b>Disbursements</b>				
Library Services	731,770	663,312	662,507	805
Capital Outlay	99,943	104,901	104,779	122
<i>Total Disbursements</i>	<u>831,713</u>	<u>768,213</u>	<u>767,286</u>	<u>927</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(118,764)</u>	<u>(55,264)</u>	<u>(30,540)</u>	<u>24,724</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets			960	960
Transfers Out		(85,000)	(85,000)	0
Other Financing Uses	(21,500)			0
<i>Total Other Financing Sources (Uses)</i>	<u>(21,500)</u>	<u>(85,000)</u>	<u>(84,040)</u>	<u>960</u>
<i>Net Change in Fund Balance</i>	(140,264)	(140,264)	(114,580)	25,684
<i>Fund Balance Beginning of Year</i>	388,210	388,210	388,210	0
Prior Year Encumbrances Appropriated	15,284	15,284	15,284	0
<i>Fund Balance End of Year</i>	<u>\$263,230</u>	<u>\$263,230</u>	<u>\$288,914</u>	<u>\$25,684</u>

See accompanying notes to the basic financial statements.

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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

The Kate Love Simpson Library, Morgan County, Ohio (the Library), was organized January 26, 1920, as a library association. In 1966, the library converted to a county district library and phased out direct service to schools. The Library has its own seven-member Board of Trustees, three of which are appointed by the Probate/Juvenile Court Judge and four appointed by the Morgan County Commissioners. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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 County Commissioners must put the levy on the ballot.

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

The Friends of the Kate Love Simpson Library is a not-for-profit organization whose primary purpose is to assist the Library with programs, book sales, etc. The Library is not financially accountable for the organization and does not have the ability to access the resources held by the organization, which are not significant to the Library. The Friends Group is small and does not approve a yearly budget. 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.

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

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

***Basis of Presentation***

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

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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

**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The 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 library has no business-type activities, no fiduciary funds and no inner service funds.

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

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

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

**Building Improvement Fund** The building improvement fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital and technology improvements.



**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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

***Basis of Accounting***

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

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

***Budgetary Process***

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

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

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

***Cash and Cash Equivalents***

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

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 2013 and 2012, the Library invested all available funds in interest-bearing checking accounts.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund from Library funds amounted to \$5,362 and \$22,127 in 2013 and 2012, respectively.

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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

***Restricted Assets***

Cash, cash equivalents, and investments 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 imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The library had no restricted assets.

***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.

***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.

***Fund Balance***

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

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

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

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

***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.

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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

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.

***Interfund Receivables/Payables***

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities 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.

***Long-Term Obligations***

The Library's *modified* cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

***Interfund Transactions***

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

***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. There were no restricted assets in 2013 and 2012.

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

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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**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, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at December 31, 2013 (cash basis) amounted to \$55,066 for the General Fund and \$9,725 for the Building Improvement Fund. The encumbrances outstanding at December 31, 2012 (modified cash basis) amounted to \$2,393 for the General Fund and \$167,493 for the Building Improvement Fund.

**Note 4 – Deposits**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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**Note 4 – Deposits (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within 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. 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.

Custodial credit risk for deposits is the risk that in the event of 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, 2013, \$213,727 of the Library's bank balance of \$463,727 was 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, 2012, \$46,406 of the Library's bank balance of \$296,406 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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

**Note 5 - Property Taxes**

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

2012 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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

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

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

**Note 5 - Property Taxes (Continued)**

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

	2013	2012
Real Property	\$234,380,100	\$210,580,160
Public Utility Personal Property	65,241,230	64,815,110
Total	\$299,621,330	\$275,395,270

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 6 - Risk Management**

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

Company	Type of Coverage	Coverage
Ohio Casualty/Netherlands Ins.Co	Property/Main Library	\$3,100,269
	Personal Property/Main Library	434,969
	Personal Property/Branch Library	180,353
	Equipment	91,000
	Fine Arts	18,100
	Bookmobile/Book Contents	12,000
	General Liability, per occurrence	1,000,000
	Commercial Auto/Bookmobile	1,000,000
France & Associates/Chubb	Uninsured Motorist	1,000,000
	Directors/Officers/Entity Liability	3,000,000
Ohio Casualty	Employment Practices Liability	3,000,000
	Fiscal Officer Bond	20,000

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

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

The Library obtains health care and life insurance coverage through the county commissioners. The library pays 95% of health care premiums per full time employee and 100% of life insurance premiums per full time employee. Dental and vision insurances are offered at the expense of the employee.

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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**Note 7 - Defined Benefit Pension Plan**

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

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

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

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

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012, and 2011 were \$59,095, \$63,598, and \$59,829, respectively; 100 percent has been contributed for all three years.

**Note 8 - Postemployment Benefits**

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

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

**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2013 and 2012*

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**Note 8 - Postemployment Benefits (Continued)**

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

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

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

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

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

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

**Note 9 – Construction and Improvement of Facilities**

The Library passed a levy in 2010 for operation and maintenance of the Library and started receiving those tax dollars in 2011. During 2013, the Library disbursed \$157,768 for a roof replacement project at the Main Library, funded by 2012 carryover monies.

During 2012, several improvement projects were completed. The Library disbursed \$105,205 for a virtualization project covering the Main Library and the Branch Library. This cost included computers, monitors, software, licenses, labor and was funded by 2011 carryover monies. A reference/information desk area was created and installed at a cost of \$12,393. The Library's antiquated microfilm reader was replaced with a computer based system at a cost of \$11,745. A second area for parking was created and finished in concrete at a cost of \$11,980.

**Note 10 – Leases**

The library had no material leases in 2013 and 2012. During 2013 and 2012, the library leased a Xerox Color Copier and disbursed \$1,797 and \$1,203, respectively.



**Kate Love Simpson Library**  
**Morgan County**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2013 and 2012

**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 for 2013 are presented below:

Fund Balances	General	Building Improvements	Governmental Funds	Total
<b>Committed to</b>				
Roof Project		\$9,725		\$9,725
<b>Assigned to</b>				
Encumbrances	\$55,066	23,584		78,650
<b>Unassigned (Deficit)</b>	409,665			409,665
<i>Total Fund Balances</i>	<u>\$464,731</u>	<u>\$33,309</u>	<u>\$0</u>	<u>\$498,040</u>

The constraints placed on fund balance for the major governmental funds and all other governmental funds for 2012 are presented below:

Fund Balances	General	Fund Name	Governmental Funds	Total
<b>Committed to</b>				
Roof Project		\$167,493		\$167,493
<b>Assigned to</b>				
Encumbrances	\$2,393	23,584	\$3,326	29,303
<b>Unassigned (Deficit)</b>	288,914			288,914
<i>Total Fund Balances</i>	<u>\$291,307</u>	<u>\$191,077</u>	<u>\$3,326</u>	<u>\$485,710</u>

**Note 12 – Interfund Transfers**

During 2013, the Branch Library Fund transferred \$3,326 to the General Fund to close out the fund.

During 2012, the General Fund transferred \$85,000 to the Building Improvement Fund and the Branch Library Fund transferred \$65,000 to the Building Improvement Fund for the purchase and maintenance of various items throughout the Library.

**Note 13 – Construction and Contractual Commitments**

In October of 2013, the Board of Trustees approved a carpet replacement project through Library Design for the main library to be completed in September 2014. In December, the Board of Trustees approved funding this project through the General Fund using 2013 carryover monies.

In December of 2012, the Board of Trustees awarded a contract to Lepi Enterprises, the low bidder, to replace the roof of the Main Library and encumbered the cost of the project, \$167,493.

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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

Kate Love Simpson Library  
Morgan County  
358 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kate Love Simpson Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated June 2, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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

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

***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 matter 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 2, 2014



# Dave Yost • Auditor of State

**KATE LOVE SIMPSON LIBRARY**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 17, 2014**