



**Auditor of State
Betty Montgomery**

**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents is misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statement of the Kate Love Simpson Library, Morgan County, Ohio (the Library), as of and for the year ended December 31, 2004. This financial statement is the responsibility of the Library's management. Our responsibility is to express an opinion on the financial statement 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 statement is 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statement presents for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Library has elected not to reformat its statement. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Kate Love Simpson Library, Morgan County, Ohio, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the year ended December 31, 2004. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2006, 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.



Betty Montgomery
Auditor of State

June 20, 2006

**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Library and Local Government Support	\$ 526,571	\$	\$ 526,571
Patron Fines and Fees	15,028		15,028
Contributions, Gifts and Donations	2,074		2,074
Interest	11,607		11,607
Other Receipts	11,045		11,045
	<hr/>		<hr/>
Total Cash Receipts	566,325	0	566,325
	<hr/>		<hr/>
Cash Disbursements:			
Salaries	225,088		225,088
Fringe Benefits	60,777		60,777
Purchased and Contractual Services	107,228		107,228
Library Materials and Information	120,445		120,445
Supplies	16,312		16,312
Capital Outlay	2,417		2,417
Other Disbursements	6,125		6,125
	<hr/>		<hr/>
Total Cash Disbursements	538,392	0	538,392
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	27,933	0	27,933
	<hr/>		<hr/>
Fund Cash Balances, January 1	195,984	200,000	395,984
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$ 223,917</u>	<u>\$ 200,000</u>	<u>\$ 423,917</u>
	<hr/>		<hr/>
Reserves for Encumbrances, December 31	\$ 8,416	\$ 0	\$ 8,416
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The notes to the financial statement are an integral part of this statement.

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**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Kate Love Simpson Library, Morgan County (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees, four of which are appointed by the Morgan County Board of County Commissioners and three of which are appointed by the Morgan County Probate/Juvenile Court Judge. The Library provides the community with various educational and literary resources. The Library is involved with the SOLO Regional Library which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Notes 8 and 9.

The Library's management believes this financial statement presents all activities for which the Library is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Clerk/Treasurer maintains an interest-bearing checking account for most funds. Some monies are invested in STAROhio. STAROhio (The State Treasurers Investment Pool) is recorded at the share value reported by the State Treasurer.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

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

2. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Library had the following significant Capital Project Funds:

**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Capital Project Funds (Continued)

Building Improvement Fund – This fund is used to account for the financial resources and related payments for improvements to existing buildings or for the purchase of land to improve Library services.

Branch Library Fund – This fund is used to accumulate resources for the establishment of an additional branch of the main library.

E. Budgetary Process

The Board of Library Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control.

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2004
Demand deposits	<u>\$ 418,825</u>
STAROhio	5,092
Total deposits and investments	<u><u>\$ 423,917</u></u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAROhio are not evidenced by securities existing in physical or book-entry form.

**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 558,391	\$ 566,325	\$ 7,934
Capital Projects	0	0	0
Total	\$ 558,391	\$ 566,325	\$ 7,934

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 754,375	\$ 546,808	\$ 207,567
Capital Projects	200,000	0	200,000
Total	\$ 954,375	\$ 546,808	\$ 407,567

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System of Ohio (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all contributions required through December 31, 2004.

6. OPERATING LEASE

During November 1999, the Library entered into a lease for two copiers. This lease requires a monthly payment of \$265 for 60 months. During October 2001, the Library entered into a lease for another copier. This lease requires a monthly payment of \$100 for 60 months with the first lease payment paid in January 2002. Lease payments are made from the General Fund. The Library has the option to purchase the copiers at the end of the leases for their fair market value.

**KATE LOVE SIMPSON LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2004
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and,
- Errors and omissions.

The Library provides health insurance and life insurance to full-time employees through the Morgan County Commissioners. The Library also provides dental and vision coverage to full-time employees through a private carrier.

8. JOINTLY GOVERNED ORGANIZATION

The Southeastern Ohio Library Organization (SOLO) is a regional library system created and jointly governed according to the provisions of Ohio Rev. Code Sections 3375.90 through 3375.93. SOLO is composed of thirteen legally-separate libraries within Southeast Ohio: Barnesville Hutton Memorial Library, Bellaire Public Library, Caldwell Public Library, Guernsey County District Library, Kate Love Simpson Library, Martins Ferry Public Library, Monroe County District Library, Newark Public Library, Perry County District Library, Public Library of Steubenville and Jefferson County, Puskarich Public Library, St. Clairsville Public Library, and Washington County Public Library. SOLO is governed by a thirteen member Board of Trustees which consists of the library administrators or a representative from each member library. SOLO provides annual training workshops for member library employees, technical training and assistance and a central graphics center. The Kate Love Simpson Library system's control over budgeting and financing of SOLO is limited to its voting authority and its representation on SOLO's Board of Trustees.

9. RELATED PARTY TRANSACTIONS

The Library pays an annual fee to SOLO, a jointly governed organization, of which the Library is a member. The Library paid dues and website fees of \$4,300 for the period July 1, 2003 to June 30, 2004. For the period July 1, 2004 to June 30, 2005, dues, website and digital shoebox fees of \$4,750 were paid.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 the financial statement of the Kate Love Simpson Library, Morgan County, Ohio (the Library), as of and for the year ended December 31, 2004, and have issued our report thereon dated June 20, 2006, wherein we noted the Library follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statement and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statement is 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*.

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Kate Love Simpson Library
Morgan County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 20, 2006



**Auditor of State
Betty Montgomery**

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**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
JULY 11, 2006**