



**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Kate Love Simpson Morgan County Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Kate Love Simpson Morgan County Library, Morgan County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 31, 2002

**KATE LOVE SIMPSON MORGAN COUNTY 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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Government Grants In Aid	\$573,416	\$26,166	\$	\$599,582
Patron Fines and Fees	13,019			13,019
Earnings on Investments	16,577			16,577
Contributions, Gifts and Donations	270	1,000		1,270
Miscellaneous	10,268			10,268
Total Cash Receipts	<u>613,550</u>	<u>27,166</u>	<u>0</u>	<u>640,716</u>
Cash Disbursements:				
Employess Salaries and Fringe Benefits	207,490			207,490
Supplies	21,703	3,949		25,652
Purchased and Contracted Services	83,151			83,151
Library Materials and Information	140,291	1,353	151	141,795
Other	7,019			7,019
Capital Outlay	121,697	21,571	12,185	155,453
Total Cash Disbursements	<u>581,351</u>	<u>26,873</u>	<u>12,336</u>	<u>620,560</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>32,199</u>	<u>293</u>	<u>(12,336)</u>	<u>20,156</u>
Other Financing Receipts/(Disbursements):				
Transfers-In			100,000	100,000
Transfers-Out	(100,000)			(100,000)
Total Other Financing Receipts/(Disbursements)	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(67,801)	293	87,664	20,156
Fund Cash Balances, January 1	<u>258,360</u>	<u>0</u>	<u>12,660</u>	<u>271,020</u>
Fund Cash Balances, December 31	<u>\$190,559</u>	<u>\$293</u>	<u>\$100,324</u>	<u>\$291,176</u>
Reserves for Encumbrances, December 31	<u>\$7,496</u>	<u>\$293</u>	<u>\$0</u>	<u>\$7,789</u>

The notes to the financial statements are an integral part of this statement.

**KATE LOVE SIMPSON MORGAN COUNTY 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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:				
Government Grants In Aid	\$464,943	\$55,964	\$40,000	\$560,907
Patron Fines and Fees	13,208			13,208
Earnings on Investments	13,377			13,377
Contributions, Gifts and Donations	1,880			1,880
Miscellaneous	7,563			7,563
	<u>500,971</u>	<u>55,964</u>	<u>40,000</u>	<u>596,935</u>
Cash Disbursements:				
Current:				
Employess Salaries and Fringe Benefits	174,614			174,614
Supplies	11,966			11,966
Purchased and Contracted Services	78,489			78,489
Library Materials and Information	83,964		9,525	93,489
Other	3,512			3,512
Debt Service		61,047		61,047
Capital Outlay	20,220		17,815	38,035
	<u>372,765</u>	<u>61,047</u>	<u>27,340</u>	<u>461,152</u>
Total Cash Disbursements	<u>372,765</u>	<u>61,047</u>	<u>27,340</u>	<u>461,152</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>128,206</u>	<u>(5,083)</u>	<u>12,660</u>	<u>135,783</u>
Fund Cash Balances, January 1	<u>130,154</u>	<u>5,083</u>	<u>0</u>	<u>135,237</u>
Fund Cash Balances, December 31	<u>\$258,360</u>	<u>\$0</u>	<u>\$12,660</u>	<u>\$271,020</u>
Reserves for Encumbrances, December 31	<u>\$27,820</u>	<u>\$0</u>	<u>\$12,617</u>	<u>\$40,437</u>

The notes to the financial statements are an integral part of this statement.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Kate Love Simpson Morgan County 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 the State of Ohio. The Library is directed by a seven member Board of Trustees, four of which are appointed by the Morgan County Board of 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's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library established the Gates Foundation Fund in 2001 to account for nongovernmental grant receipts used for computer equipment and supporting materials as outlined in the grant agreement.

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of note indebtedness incurred for library facilities construction. The final debt payment for the library facilities construction was made in 2000.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library established the Branch Library Improvement Fund to account for the financial resources and related payments to furnish and equip the Village of Chesterhill Branch Library. The Building Improvement Fund was established in 2001 to account for the financial resources and related payments for improvements to existing buildings or for the purchase of land to improve Library services.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements and libraries are no longer required to estimate resources or encumber appropriations. However, since the Library has continued to estimate resources and encumber appropriations, this activity is reflected in the financial statements and notes.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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:

	<u>2001</u>	<u>2000</u>
Demand deposits	\$217,060	\$103,770
Investments - STAROhio	<u>74,116</u>	<u>167,250</u>
Total deposits and investments	<u><u>\$291,176</u></u>	<u><u>\$271,020</u></u>

Deposits: Deposits are either 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 that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$615,678	\$613,550	(\$2,128)
Special Revenue	27,166	27,166	0
Capital Projects	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total	<u><u>\$642,844</u></u>	<u><u>\$740,716</u></u>	<u><u>\$97,872</u></u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$874,038	\$688,847	\$185,191
Special Revenue	27,166	27,166	0
Capital Projects	<u>12,660</u>	<u>12,336</u>	<u>324</u>
Total	<u><u>\$913,864</u></u>	<u><u>\$728,349</u></u>	<u><u>\$185,515</u></u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$484,451	\$500,971	\$16,520
Debt Service	55,964	55,964	0
Capital Projects	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Total	<u><u>\$580,415</u></u>	<u><u>\$596,935</u></u>	<u><u>\$16,520</u></u>

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$589,416	\$400,585	\$188,831
Debt Service	61,047	61,047	0
Capital Projects	40,000	39,957	43
Total	\$690,463	\$501,589	\$188,874

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated 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 on account of any additional revenues realized by the Library.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. RETIREMENT SYSTEM

The Library's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants gross salaries. The Library has paid all contributions required through December 31, 2001.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

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 being due 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.

7. RISK MANAGEMENT

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. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed cost may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Kate Love Simpson Morgan County Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated January 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Kate Love Simpson Morgan County Library
Morgan County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 31, 2002



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KATE LOVE SIMPSON MORGAN COUNTY 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
MARCH 26, 2002**