



Mary Taylor, CPA  
Auditor of State



**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government - Wide Financial Statements 2007:	
Statement of Net Assets - Cash Basis - December 31, 2007 .....	9
Statement of Activities - Cash Basis - For the Year Ended December 31, 2007 .....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2007 .....	11
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2007 .....	12
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund - For the Year Ended December 31, 2007 .....	13
Government - Wide Financial Statements 2006:	
Statement of Net Assets - Cash Basis - December 31, 2006 .....	15
Statement of Activities -Cash Basis - For the Year Ended December 31, 2006 .....	16
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds - December 31, 2006 .....	17
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2006 .....	18
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund - For the Year Ended December 31, 2006 .....	19

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Notes to the Basic Financial Statements .....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	31



# Mary Taylor, CPA

Auditor of State

## 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 statements of the governmental activities and each major fund of the Kate Love Simpson Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Kate Love Simpson Library, Morgan County, Ohio, as of December 31, 2007 and 2006, and the changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2008, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

May 5, 2008

Kate Love Simpson Library  
Morgan County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

---

This discussion and analysis of the Kate Love Simpson Library's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Library's cash basis accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Library's financial performance.

### **Highlights**

Key highlights for 2007 are as follows:

Net assets decreased \$37,777, or 8.5 percent.

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF). These general receipts accounted for \$561,387 or 97.3 percent of all receipts. Program receipts in the form of charges for services accounted for \$15,334 or 2.7 percent of total receipts.

The Library had \$614,498 in disbursements relating to governmental activities; only \$15,334 of those disbursements was offset by program specific charges for services.

Key highlights for 2006 are as follows:

Net assets decreased \$8,579, or 1.9 percent.

The Library's general receipts are primarily from the Library and Local Government Support Fund (LLGSF). These general receipts accounted for \$564,019 or 97.5 percent of all receipts. Program receipts in the form of charges for services accounted for \$14,641 or 2.5 percent of total receipts.

The Library had \$587,239 in disbursements relating to governmental activities; only \$14,641 of those disbursements was offset by program specific charges for services.

### **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.

This annual report consists of a series of financial statements and notes to the statements. The statements are organized so the reader can understand the Library as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions on a cash basis of accounting.

### **Report Components**

The statement of net assets 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.

Kate Love Simpson Library  
Morgan County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

---

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.

### **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 assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the 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 non-financial factors as well such as the condition of the Library's capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as the LLGSF.

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

Governmental activities. Most of the Library's basic services are reported here, including library services and capital outlay. The LLGSF finances 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 many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the funds of the Library are governmental.



Kate Love Simpson Library  
Morgan County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

---

**Governmental Funds** – The library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund, the Branch Library Fund and the Building Improvement Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Library as a Whole**

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006 and 2005 on a cash basis.

(Table 1)  
**Net Assets**

	Governmental Activities		
	2007	2006	2005
<b>Assets</b>			
Cash and Cash Equivalents	\$406,437	\$444,214	\$452,793
Total Assets	\$406,437	\$444,214	\$452,793
<b>Net Assets</b>			
Unrestricted	\$406,437	\$444,214	\$452,793
Total Net Assets	\$406,437	\$444,214	\$452,793

As mentioned previously, net assets of governmental activities decreased \$37,777 or 8.5 percent during 2007. This decrease can be attributed in part to the continuing rise in health costs, salary increases, equipment and technology upgrades, and the continued freeze on the Local Library Government Support Fund. Net assets of governmental activities decreased \$8,579 or 1.9 percent during 2006. This decrease can be attributed in part to staffing changes, the continuing rise in health insurance costs, and the freeze on the Local Library Government Support Fund.

Table 2 reflects the changes in net assets on a cash basis in 2007, 2006 and 2005 for governmental activities.

Kate Love Simpson Library  
Morgan County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

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

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$15,334	\$14,641	\$14,894
Total Program Receipts	15,334	14,641	14,894
General Receipts:			
Gifts and Donations	1,876	1,472	1,517
Entitlements Not Restricted to Specific Programs	529,470	529,470	529,470
Interest	21,640	21,579	12,741
Miscellaneous	8,401	11,498	7,320
Total General Receipts	561,387	564,019	551,048
Total Receipts	576,721	578,660	565,942
Disbursements:			
Library Services	590,140	557,212	500,382
Capital Outlay	24,358	30,027	36,684
Total Disbursements	614,498	587,239	537,066
Change in Net Assets	(37,777)	(8,579)	28,876
Net Assets, January 1	444,214	452,793	423,917
Net Assets, December 31	\$406,437	\$444,214	\$452,793

In 2007, general receipts represented 97.3 percent of the Library's total receipts. In 2006, the general receipts represented 97.5 percent of the Library's total receipts. General receipts in both 2007 and 2006 were made up almost entirely of the Library and Local Government Support Fund monies. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the services the Library can provide.

In 2007, total disbursements increased from 2006 by 4.6 percent. This can be attributed, in part, to rising health benefit costs. In 2006, total disbursements increased from 2005 by 9.3 percent. This can be attributed, in part, to rising health benefit costs.

**Governmental Activities**

If you look at the Statement of Activities on pages 10 and 16, you'll see that the first column lists the major services provided by the Library. The next column identifies the cost of providing these services. The major program disbursements for governmental activities are for Library Services.

The next column of the Statement entitled "Program Cash Receipts" identify amounts paid by people who are directly charged for the service.

The "Net (Disbursements) Receipts" 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 primarily by the State Library Local Government Support Fund. 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.

Kate Love Simpson Library  
Morgan County  
Management's Discussion and Analysis  
For the Years Ended December 31, 2007 and 2006  
Unaudited

(Table 3)

	<b>Governmental Activities</b>					
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
	Library Services	\$590,140	(\$574,806)	\$557,212	(\$542,571)	\$500,382
Capital Outlay	24,358	(24,358)	30,027	(30,027)	36,684	(36,684)
Total Expenses	\$614,498	(\$599,164)	\$587,239	(\$572,598)	\$537,066	(\$522,172)

The dependence upon the Library Local Government Support Fund receipts is apparent as over 97.5 percent of the library's activities are supported through the general receipts in 2007. The dependence upon the Library Local Government Support Fund receipts is apparent as over 97.5 percent of the library's activities are supported through the general receipts in 2006.

**The Library's Funds**

The 2007 governmental funds had total receipts of \$576,721 and disbursements of \$614,498 and a decrease in the cash balance of \$37,777. There was no change in the Building Improvement Fund or the Branch Library Fund.

The 2006 governmental funds had total receipts of \$578,660 and disbursements of \$587,239 and a decrease in the cash balance of \$8,579. There was no change in the Building Improvement Fund or the Branch Library Fund.

**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 General Fund is the most significant fund budgeted.

During 2007 and 2006, the library did not amend its original estimated certificate or its appropriations.

**Contacting the Library Financial Management**

This financial report is designed to provide our citizens 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, Clerk-Treasurer, Kate Love Simpson Library, 358 East Main Street, McConnellsville, Ohio 43756.

**This page intentionally left blank.**

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 406,437
<i>Total Assets</i>	<u>\$ 406,437</u>
<b>Net Assets</b>	
Unrestricted	\$ 406,437
<i>Total Net Assets</i>	<u>\$ 406,437</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, 2007**

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Library Services	\$ 590,140	\$ 15,334	\$ (574,806)
Capital Outlay	24,358		(24,358)
<i>Total Governmental Activities</i>	\$ 614,498	\$ 15,334	(599,164)
 <b>General Receipts</b>			
Entitlements Not Restricted to Specific Programs			529,470
Interest			21,640
Gifts and Donations			1,876
Miscellaneous			8,401
<i>Total General Receipts</i>			561,387
Change in Net Assets			(37,777)
<i>Net Assets Beginning of Year</i>			444,214
<i>Net Assets End of Year</i>			\$ 406,437

*See accompanying notes to the basic financial statements.*

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	General	Branch Library	Building Improvement	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 206,437	\$ 100,000	\$ 100,000	\$ 406,437
<i>Total Assets</i>	<u>\$ 206,437</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 406,437</u>
 <b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 6,751	\$	\$	\$ 6,751
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	199,686			199,686
Capital Projects Funds		100,000	100,000	200,000
<i>Total Fund Balances</i>	<u>\$ 206,437</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 406,437</u>

*See accompanying notes to the basic financial statements.*

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Branch Library	Building Improvement	Total Governmental Funds
<b>Receipts</b>				
Library and Local Government Support	\$ 529,470	\$	\$	\$ 529,470
Patron Fines and Fees	15,334			15,334
Interest	21,640			21,640
Gifts and Donations	1,876			1,876
Miscellaneous Receipts	8,401			8,401
<i>Total Receipts</i>	576,721	0	0	576,721
<b>Disbursements</b>				
Library Services	590,140			590,140
Capital Outlay	24,358			24,358
<i>Total Disbursements</i>	614,498	0	0	614,498
<i>Net Change in Fund Balances</i>	(37,777)	0	0	(37,777)
<i>Fund Balances Beginning of Year</i>	244,214	100,000	100,000	444,214
<i>Fund Balances End of Year</i>	<u>\$ 206,437</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 406,437</u>

See accompanying notes to the basic financial statements.



**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Receipts</b>				
Library and Local Government Support	\$ 534,800	\$ 534,800	\$ 529,470	\$ (5,330)
Patron Fines and Fees	15,500	15,500	15,334	(166)
Interest	21,000	21,000	21,640	640
Gifts and Donations	1,500	1,500	1,876	376
Miscellaneous Receipts	10,000	10,000	8,401	(1,599)
<i>Total Receipts</i>	<u>582,800</u>	<u>582,800</u>	<u>576,721</u>	<u>(6,079)</u>
<b>Disbursements</b>				
Library Services	629,311	629,311	596,891	32,420
Capital Outlay	170,075	170,075	24,358	145,717
<i>Total Disbursements</i>	<u>799,386</u>	<u>799,386</u>	<u>621,249</u>	<u>178,137</u>
<i>Net Change in Fund Balances</i>	(216,586)	(216,586)	(44,528)	172,058
<i>Fund Balances Beginning of Year</i>	216,586	216,586	216,586	0
Prior Year Encumbrances Appropriated	<u>27,628</u>	<u>27,628</u>	<u>27,628</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$ 27,628</u>	<u>\$ 27,628</u>	<u>\$ 199,686</u>	<u>\$ 172,058</u>

See accompanying notes to the basic financial statements.

**This page intentionally left blank.**

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 444,214
<i>Total Assets</i>	<u>\$ 444,214</u>
<b>Net Assets</b>	
Unrestricted	\$ 444,214
<i>Total Net Assets</i>	<u>\$ 444,214</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, 2006**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
<b>Governmental Activities</b>		<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Library Services	\$ 557,212	\$ 14,641	\$ (542,571)
Capital Outlay	30,027		(30,027)
<i>Total Governmental Activities</i>	<u>\$ 587,239</u>	<u>\$ 14,641</u>	(572,598)
 <b>General Receipts</b>			
Entitlements Not Restricted to Specific Programs			529,470
Interest			21,579
Gifts and Donations			1,472
Miscellaneous			<u>11,498</u>
<i>Total General Receipts</i>			<u>564,019</u>
Change in Net Assets			(8,579)
<i>Net Assets Beginning of Year</i>			<u>452,793</u>
<i>Net Assets End of Year</i>			<u>\$ 444,214</u>

*See accompanying notes to the basic financial statements.*

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	General	Branch Library	Building Improvement	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 244,214	\$ 100,000	\$ 100,000	\$ 444,214
<i>Total Assets</i>	<u>\$ 244,214</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 444,214</u>
 <b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	\$ 27,628	\$	\$	\$ 27,628
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	216,586			216,586
Capital Projects Funds		100,000	100,000	200,000
<i>Total Fund Balances</i>	<u>\$ 244,214</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 444,214</u>

*See accompanying notes to the basic financial statements.*

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Branch Library	Building Improvement	Total Governmental Funds
<b>Receipts</b>				
Library and Local Government Support	\$ 529,470	\$	\$	\$ 529,470
Patron Fines and Fees	14,641			14,641
Interest	21,579			21,579
Gifts and Donations	1,472			1,472
Miscellaneous Receipts	11,498			11,498
<i>Total Receipts</i>	578,660	0	0	578,660
<b>Disbursements</b>				
Library Services	557,212			557,212
Capital Outlay	30,027			30,027
<i>Total Disbursements</i>	587,239	0	0	587,239
<i>Net Change in Fund Balances</i>	(8,579)	0	0	(8,579)
<i>Fund Balances Beginning of Year</i>	252,793	100,000	100,000	452,793
<i>Fund Balances End of Year</i>	<u>\$ 244,214</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 444,214</u>

See accompanying notes to the basic financial statements.

**KATE LOVE SIMPSON LIBRARY  
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original	Final	Actual	Variance
<b>Receipts</b>				
Library and Local Government Support	\$ 529,470	\$ 529,470	\$ 529,470	\$ 0
Patron Fines and Fees	15,000	15,000	14,641	(359)
Interest	14,000	14,000	21,579	7,579
Gifts and Donations	1,000	1,000	1,472	472
Miscellaneous Receipts	8,772	8,772	11,498	2,726
<i>Total Receipts</i>	<u>568,242</u>	<u>568,242</u>	<u>578,660</u>	<u>10,418</u>
<b>Disbursements</b>				
Library Services	607,755	607,755	582,231	25,524
Capital Outlay	184,279	184,279	32,636	151,643
<i>Total Disbursements</i>	<u>792,034</u>	<u>792,034</u>	<u>614,867</u>	<u>177,167</u>
<i>Net Change in Fund Balances</i>	(223,792)	(223,792)	(36,207)	187,585
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	223,792	223,792	223,792	0
Prior Year Encumbrances Appropriated	29,001	29,001	29,001	0
<i>Fund Balances End of Year</i>	<u>\$ 29,001</u>	<u>\$ 29,001</u>	<u>\$ 216,586</u>	<u>\$ 187,585</u>

See accompanying notes to the basic financial statements.

**This page intentionally left blank.**



Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

The Kate Love Simpson Library, Morgan County, Ohio (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. Appointments are for seven-year terms and members serve without compensation. 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 Clerk-Treasurer.

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 Note 2.C, the financial statements of the 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements in which case GASB prevails. The most significant of the Library's accounting policies are described below.

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Library as a whole. 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. The Library has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Library at year-end. The statement of activities compares disbursements with program receipts for each program or function of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

A. Basis of Presentation (Continued)

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. The Library had no nonmajor funds in 2007 or 2006.

B. 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 intergovernmental receipts. 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 all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Improvement Fund - The Building Improvement Fund accounts for monies set aside by the Board of Trustees specifically for major capital and technology improvements.

Branch Library Fund - The Branch Library Fund accounts for monies set aside by the Board of Trustees for future library expansion.

During 2007 and 2006, there was no activity in the Building Improvement Fund or the Branch Library Fund.

C. 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.

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

**D. Budgetary Process**

All funds are legally required to be appropriated. The appropriations resolution is the Board of 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.

The major documents prepared are the budget, the appropriation resolution, and the certificate of estimated resources. The budget demonstrates a need for existing LLGSF rates (Library Local Government Support Fund). The certificate of estimated resources establishes a limit on the amounts that the Library may appropriate. The appropriation resolution is the Library's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Library. The legal level of control established by the Library is the fund level. The Clerk/Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board 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 Clerk/Treasurer. 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 Board of 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 resolution 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 Board of Trustees during the year.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents.

During 2007 and 2006, investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007 and 2006.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2007 amounted to \$21,640 which includes \$9,800 assigned from other Library funds. Interest receipts credited to the general fund during 2006 amounted to \$21,579 which includes \$8,967 assigned from other Library funds.

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

**F. Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library had no restricted assets in 2007 or 2006.

**G. Inventory and Prepaid Items**

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Accumulated Leave**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Library's cash basis financial statements do not report liabilities for long-term obligations. The Library had no long-term obligations in 2007 or 2006.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. There were no restricted assets reported for 2007 or 2006.

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

**M. Fund Balance Reserves**

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

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

**Note 3 – Restatement of Fund Balance**

For the year ended December 31, 2005, the Library included the prior year encumbrances appropriated twice in the fund balance on the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis. The effect of the restatement is as follows:

	Budget vs. Actual Fund Balance at December 31, 2005	Restatement Amount	Budget vs. Actual Fund Balance at January 1, 2006
Governmental Fund: General	\$232,208	(\$8,416)	\$223,792

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$6,751 for the General Fund for 2007 and \$27,628 for the General Fund for 2006.

**Note 5 – 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;

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

**Note 5 – Deposits** (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

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, 2007, none of the Library's bank balance was exposed to custodial credit risk. At December 31, 2006, \$50,533 of the Library's bank balance of \$153,161 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.

Investments

As of December 31, 2007, the Library had an investment in STAROhio. The carrying value of this investment at December 31, 2007 was \$326,062, with an average maturity of thirty days.

As of December 31, 2006, the Library had an investment in STAROhio. The carrying value of this investment at December 31, 2006, was \$310,052, with an average maturity of thirty days.

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

**Note 5 – Deposits** (Continued)

Investments (Continued)

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**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. During 2007 and 2006, the Library obtained commercial insurance as follows:

Company	Type of Coverage	Amount of Coverage
Westfield Insurance Company	Commercial Property	\$3,573,000
Westfield Insurance Company	General Liability	\$1,300,000
Westfield Insurance Company	Inland Marine	\$12,000
Westfield Insurance Company	Vehicle	\$300,000
France & Associates	Errors and Omissions	\$1,000,000/\$3,000,000
Ohio Farmers Insurance	Library Officials	\$45,000

Settled claims have not exceeded 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 (the 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.

**Note 7 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPER administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$63,324, \$56,094 and \$46,942 respectively. 100 percent has been contributed for 2007, 2006 and 2005. There were no contributions to member-directed plans.

**Note 8 – Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent from January 1 to June 30, 2007 and 6 percent from July 1 through December 31, 2007 was the portion that was used to fund health care. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between 0.5 percent and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.



Kate Love Simpson Library  
Morgan County  
Notes To The Basic Financial Statements  
For the Years Ended December 31, 2007 and 2006

---

---

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

The number of active contributing participants in the traditional and combined plans was 374,979 for 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions which were used to fund postemployment benefits were \$25,147 for 2007 and \$18,425 for 2006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### 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 statements of the governmental activities and each major fund of the Kate Love Simpson Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 5, 2008, wherein, we noted the Library uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

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

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 5, 2008



**Mary Taylor, CPA**  
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, 2008**