

MONROE COUNTY DISTRICT LIBRARY

AUDIT REPORT

JANUARY 1, 2005 - DECEMBER 31, 2006

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Monroe County District Library
96 Home Avenue
Woodsfield, Ohio 43793

We have reviewed the *Independent Auditors' Report* of the Monroe County District Library, Monroe County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Monroe County District Library is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 4, 2007

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**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY
JANUARY 1, 2005 - DECEMBER 31, 2006**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Monroe County District Library
Monroe County
96 Home Avenue
Woodsfield, Ohio 43793

We have audited the accompanying financial statements of the Monroe County District Library, Monroe County, as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Monroe County District 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 more fully in Note 1, the Monroe County District Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 statements. 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.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Monroe County District Library's combined funds as of December 31, 2006 and 2005, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Monroe County District Library, Monroe County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Library to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. 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 part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 4, 2007, on our consideration of the Monroe County District Library's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 4, 2007

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Library and Local Government Support	\$ 568,233	\$ -	\$ 568,233
Intergovernmental	-	10,000	10,000
Patron Fines and Fees	15,807	-	15,807
Contributions, Gifts and Donations	50	-	50
Earnings on Investments	1,030	-	1,030
Miscellaneous	9,094	-	9,094
Total Cash Receipts	594,214	10,000	604,214
Cash Disbursements:			
Current:			
Salaries and Benefits	307,864	-	307,864
Purchased and Contracted Services	84,616	-	84,616
Library Materials and Information	86,708	10,000	96,708
Supplies	9,164	-	9,164
Other	12,820	-	12,820
Capital Outlay	26,581	-	26,581
Total Cash Disbursements	527,753	10,000	537,753
Total Cash Receipts Over/(Under) Cash Disbursements	66,461	-	66,461
Fund Cash Balances, January 1	66,787	-	66,787
Fund Cash Balances, December 31	\$ 133,248	\$ -	\$ 133,248
Reserve for Encumbrances, December 31	\$ 5,386	\$ -	\$ 5,386

See notes to financial statements.

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Library and Local Government Support	\$ 427,356	\$ 140,877	\$ -	\$ -	\$ 568,233
Patron Fines and Fees	16,123	-	-	-	16,123
Contributions, Gifts and Donations	160	-	-	-	160
Earnings on Investments	898	-	85	178	1,161
Miscellaneous	5,591	-	-	-	5,591
Total Cash Receipts	<u>450,128</u>	<u>140,877</u>	<u>85</u>	<u>178</u>	<u>591,268</u>
Cash Disbursements:					
Current:					
Salaries and Benefits	290,946	-	-	-	290,946
Purchased and Contracted Services	98,434	-	-	-	98,434
Library Materials and Information	73,891	-	-	-	73,891
Supplies	9,472	-	-	-	9,472
Other	15,770	-	-	-	15,770
Debt Service:					
Principal	-	137,000	-	-	137,000
Interest	-	5,275	-	-	5,275
Capital Outlay	89,598	-	-	215,384	304,982
Total Cash Disbursements	<u>578,111</u>	<u>142,275</u>	<u>-</u>	<u>215,384</u>	<u>935,770</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(127,983)	(1,398)	85	(215,206)	(344,502)
Other Financing Receipts and (Disbursements):					
Transfers-In	-	1,398	3,787	55,266	60,451
Other Financing Uses	-	-	-	(2,134)	(2,134)
Transfers-Out	-	-	(55,266)	(5,185)	(60,451)
Total Other Financing Receipts and (Disbursements)	<u>-</u>	<u>1,398</u>	<u>(51,479)</u>	<u>47,947</u>	<u>(2,134)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(127,983)	-	(51,394)	(167,259)	(346,636)
Fund Cash Balances, January 1	<u>194,770</u>	<u>-</u>	<u>51,394</u>	<u>167,259</u>	<u>413,423</u>
Fund Cash Balances, December 31	<u>\$ 66,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,787</u>
Reserve for Encumbrances, December 31	<u>\$ 4,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,847</u>

See notes to financial statements.

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Monroe County District Library, Monroe 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 appointed by Monroe County Commissioners and Monroe County Court Judge for a term of seven years. The Library provides the community with various educational and literary resources. The Library was involved with the Southeastern Ohio Library Organization (SOLO) Regional Library System and is currently a member by default of the Southeaster Regional Library System (SERLS), which are defined as a jointly governed organization. Additional information concerning the jointly governed organizations is presented in Note 8.

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

Certificates of Deposit are valued at cost.

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:

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.

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 had the following significant Capital Projects Funds:

Library Construction Fund – This fund received transfers from the General Fund to begin construction of new library facilities.

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations; however, the Monroe County District Library elects to still follow budgetary requirements that were in place prior to January 2001.

Appropriations

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

Estimated Resources

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

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.

A summary of 2006 and 2005 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 upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as a liabilities under the Library's basis of accounting.

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 113,248	\$ 46,787
Certificates of Deposit	20,000	20,000
Demand deposits	<u>\$ 133,248</u>	<u>\$ 66,787</u>

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

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 549,665	\$ 594,214	\$ 44,549
Special Revenue	10,000	10,000	-
Total	<u>\$ 559,665</u>	<u>\$ 604,214</u>	<u>\$ 44,549</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 591,584	\$ 533,139	\$ 58,445
Special Revenue	10,000	10,000	-
Total	<u>\$ 601,584</u>	<u>\$ 543,139</u>	<u>\$ 58,445</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 564,965	\$ 450,128	\$ (114,837)
Special Revenue	-	142,275	142,275
Debt Service	-	3,872	3,872
Capital projects	5,141	55,444	50,303
Total	<u>\$ 570,106</u>	<u>\$ 652,219</u>	<u>\$ 82,113</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 621,195	\$ 582,958	\$ 38,237
Special Revenue	143,439	142,275	1,164
Debt Service	55,266	55,266	-
Capital Projects	223,529	222,703	826
Total	<u>\$ 1,043,429</u>	<u>\$ 1,003,202</u>	<u>\$ 40,227</u>

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 based on any additional revenues the Library receives.

**MONROE COUNTY DISTRICT LIBRARY
MONROE COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. DEBT

The Library Facilities note was paid off in 2005.

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, PERS members contributed 9.0% and 8.5% of their wages, respectively. The Library contributed an amount equal to 13.70% and 13.55% of participant's gross salaries for 2006 and 2005, respectively. The Library has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance, dental and vision coverage to full time employees through a private carrier.

8. JOINTLY GOVERNED ORGANIZATION

The SOLO (Southeastern Ohio Library Organization) Regional Library System is a regional library system created and jointly governed according to the provisions of Ohio Revised Code Sections 3375.90 through 3375.93. SOLO ended its operation in 2005. The Library is a member by default in the Southeastern Regional Library System (SERLS). The Library has chosen not to be a dues paying member and has no voting authority or representation on the SERLS's Board of Trustees. SERLS is governed by a Board of Trustees selected by the Librarians Council which consists of the library administrators or a representative from each member library. SERLS provides annual training workshops for member library employees, technical training and assistance, a general graphics center, and coordinates the delivery of intra-library book loans.

9. RELATED PARTY TRANSACTIONS

The Library pays an annual fee to SOLO Regional Library System, a jointly governed organization, of which the Library is a member. The Library paid \$4,300 to SOLO Regional Library System during the period January 1, 2005 through December 31, 2005.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Board of Trustees
Monroe County District Library
96 Home Avenue
Woodsfield, Ohio 43793

We have audited the financial statements of The Monroe County District Library as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 4, 2007, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. . 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.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered Monroe County District 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 purposes 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 obtaining reasonable assurance about whether the Monroe County District Library's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 and other matters that are required to be reported under *Government Auditing Standards*. However, We noted certain immaterial instances of noncompliance that we have reported to the management of the Monroe County District Library in a separate letter dated April 4, 2007.

This report is intended for the information of the audit committee, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 4, 2007



Mary Taylor, CPA
Auditor of State

MONROE COUNTY DISTRICT LIBRARY

MONROE 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 14, 2007**