



**Auditor of State
Betty Montgomery**

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements For the Year Ended June 30, 2005:	
Statement of Net Assets – Modified Cash Basis.....	11
Statement of Activities – Modified Cash Basis.....	12
Fund Financial Statements for the Year Ended June 30, 2005	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds.....	13
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds.....	14
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	15
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Revenue – State Fund.....	16
Statement of Fund Net Assets – Modified Cash Basis – Proprietary Fund.....	17
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund.....	18
Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Fund	19
Government-Wide Financial Statements For the Year Ended June 30, 2004:	
Statement of Net Assets – Modified Cash Basis.....	21
Statement of Activities – Modified Cash Basis.....	22
Fund Financial Statements for the Year Ended June 30, 2004	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds.....	23
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances – Governmental Funds.....	24
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	25
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Revenue – State Fund.....	26
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Revenue – Federal Fund.....	27

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
TABLE OF CONTENTS (Continued)**

TITLE	PAGE
Statement of Fund Net Assets – Modified Cash Basis – Proprietary Fund.....	28
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Modified Cash Basis – Proprietary Fund	29
Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Fund	30
Notes to the Basic Financial Statements.....	31
Independent Accountants’ Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	41



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Valley Area Libraries
Jackson County
252 West Thirteenth Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Ohio Valley Area Libraries, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2005 and 2004, 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash basis financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information for the Ohio Valley Area Libraries, Jackson County, Ohio, as of June 30, 2005 and 2004 and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund, Special Revenue – State Fund, and Special Revenue – Federal Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended June 30, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

As discussed in Note 10, the duration that the Library will continue to exist is unknown.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2005, 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 accounting principles generally accepted in the United States of America 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 14, 2005

Ohio Valley Area Libraries
Management's Discussion and Analysis
June 30, 2005 and 2004 (Unaudited)

This discussion and analysis of the Ohio Valley Area Libraries financial performance provides an overall review of the Library's financial activities for the years ended June 30, 2005 and 2004, within the limitations of the Library's modified cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of activities increased \$4,266, or 3.6 percent, a slight change from the prior year. Net assets of governmental activities increased \$6,585, which represents a 6.7% increase from 2004. Net assets for the business-type activities decreased (\$2,319) or 11.8%.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 78 percent of the total cash received for governmental activities during the year.

Key highlights for 2004 are as follows:

Net assets of activities decreased \$6,558, or 5.3 percent, a slight change from the prior year. Net assets of governmental activities decreased \$3,321, which represents a 3.3% decrease from 2003. Net assets for the business-type activities decreased (\$3,237) or 14.2%.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent respectively 73 percent of the total cash received for governmental activities during the year. These receipts for 2004 changed significantly compared to 2003, a reduction of \$80,038.

Using the Basic Financial Statements

This 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 modified 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.

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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified 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 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges for service and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each 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 modified 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 such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library has two types of activity:

Governmental Activities - All of the Library's basic services are reported here, including library services, support services, and capital outlay. State grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Library's Books by Mail program is reported as a business-type activity.

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. The funds of the Library are governmental and proprietary.

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental funds are the General Fund, Special Revenue-State Fund, Special Revenue-Federal Fund (for fiscal year 2004 only), and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Fund - The Library's proprietary fund uses the same basis of accounting (modified cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Library as a whole.

Ohio Valley Area Libraries
Management's Discussion and Analysis
June 30, 2005 and 2004 (Unaudited)

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004, and 2004 compared to the prior year on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Cash and Cash Equivalents	\$104,301	\$97,716	\$17,286	\$19,605	\$121,587	\$117,321
Total Assets	<u>\$104,301</u>	<u>\$97,716</u>	<u>\$17,286</u>	<u>\$19,605</u>	<u>\$121,587</u>	<u>\$117,321</u>
Net Assets						
Restricted for:						
Capital Projects	\$16,098	\$16,882	\$0	\$0	\$16,098	\$16,882
Other Purposes	14,340	25,108	0	0	14,340	25,108
Unrestricted	<u>73,863</u>	<u>55,726</u>	<u>17,286</u>	<u>19,605</u>	<u>91,149</u>	<u>75,331</u>
Total Net Assets	<u>\$104,301</u>	<u>\$97,716</u>	<u>\$17,286</u>	<u>\$19,605</u>	<u>\$121,587</u>	<u>\$117,321</u>

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Cash and Cash Equivalents	\$97,716	\$101,037	\$19,605	\$22,842	\$117,321	\$123,879
Total Assets	<u>\$97,716</u>	<u>\$101,037</u>	<u>\$19,605</u>	<u>\$22,842</u>	<u>\$117,321</u>	<u>\$123,879</u>
Net Assets						
Restricted for:						
Capital Projects	\$16,882	\$19,031	\$0	\$0	\$16,882	\$19,031
Other Purposes	25,108	15,144	0	0	25,108	15,144
Unrestricted	<u>55,726</u>	<u>66,862</u>	<u>19,605</u>	<u>22,842</u>	<u>75,331</u>	<u>89,704</u>
Total Net Assets	<u>\$97,716</u>	<u>\$101,037</u>	<u>\$19,605</u>	<u>\$22,842</u>	<u>\$117,321</u>	<u>\$123,879</u>

As mentioned previously, total net assets of activities increased \$4,266 or 3.6 percent during 2005, and decreased \$6,558 or 5.3 percent during 2004.

Ohio Valley Area Libraries
Management's Discussion and Analysis
June 30, 2005 and 2004 (Unaudited)

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2004 compared to 2003.

(Table 2)
Changes in Net Assets

	Governmental	Governmental	Business-Type	Business-Type	Total	
	Activities	Activities	Activities	Activities	2005	2004
	2005	2004	2005	2004		
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$38,135	\$36,599	\$111,199	\$147,728	\$149,334	\$184,327
Operating Grants and Contribution	13,750	41,250	0	0	13,750	41,250
Total Program Receipts	51,885	77,849	111,199	147,728	163,084	225,577
General Receipts:						
Intergovernmental	211,936	223,841	0	0	211,936	223,841
Interest	2,683	1,996	0	0	2,683	1,996
Miscellaneous	3,790	4,016	0	0	3,790	4,016
Total General Receipts	218,409	229,853	0	0	218,409	229,853
Total Receipts	270,294	307,702	111,199	147,728	381,493	455,430
Disbursements:						
Salaries	117,389	136,639	22,353	28,268	139,742	164,907
Employee Fringe Benefits	36,913	48,426	8,536	10,210	45,449	58,636
Purchased and Contracted Services	69,804	88,092	61,594	80,954	131,398	169,046
Library Material and Information	1,033	613	20,607	20,880	21,640	21,493
Supplies	14,205	11,325	428	760	14,633	12,085
Other	3,743	981	0	0	3,743	981
Capital Outlay	20,622	24,947	0	9,893	20,622	34,840
Total Disbursements	263,709	311,023	113,518	150,965	377,227	461,988
Increase (Decrease) in Net Assets	6,585	(3,321)	(2,319)	(3,237)	4,266	(6,558)
Net Assets, January 1	97,716	101,037	19,605	22,842	117,321	123,879
Net Assets, December 31	\$104,301	\$97,716	\$17,286	\$19,605	\$121,587	\$117,321

Program receipts represent 43 percent of total receipts for 2005 and 50 percent of the total receipts for 2004, and are comprised of restricted intergovernmental receipts such as contributions, gifts, and donations and charges for service.

General receipts represent 57 percent in 2005 and 50% in 2004 of the Library's total receipts, and of this amount, over 97 percent are intergovernmental receipts in 2005 and 2004. Miscellaneous receipts, unrestricted gifts and interest make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Government activities. These include the costs of public service programs, facility operation and maintenance, as well as internal services such as payroll and purchasing.

Ohio Valley Area Libraries
Management's Discussion and Analysis
June 30, 2005 and 2004 (Unaudited)

Since these costs do not represent direct services to residents, we try to limit these costs to 100% of General Fund unrestricted receipts.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 22, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and employee fringe benefits, which account for 45 and 14 percent for 2005 and 44 and 16 percent for 2004 of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State Library and Local Government Support Fund and other receipts. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
Current		
Salaries	\$117,389	\$117,389
Employee Fringe Benefits	36,913	36,913
Purchased and Contract Services	69,804	31,159
Library Materials and Information	1,033	(324)
Supplies	14,205	8,803
Other	3,743	(1,176)
Capital Outlay	20,622	19,060
Total Expenses	\$263,709	\$211,824

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	2004	2004
Current		
Salaries	\$136,639	\$120,536
Employee Fringe Benefits	48,426	42,458
Purchased and Contract Services	88,092	42,586
Library Materials and Information	613	262
Supplies	11,325	6,706
Other	981	319
Capital Outlay	24,947	20,307
Total Expenses	\$311,023	\$233,174

The dependence upon intergovernmental receipts is apparent as over 80 percent of governmental activities in 2005 and 75 percent of governmental activities in 2004 are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$270,294 and disbursements of \$263,709 for 2005. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$18,137 as the result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).

Total governmental funds had receipts of \$307,702 and disbursements of \$311,023 for 2004. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$11,136 as the result of the reduction of receipts from the Library and Local Government Support Fund (LLGSF).

General Fund receipts were more than disbursements by \$18,137 indicating that efforts to contain cost, and limit expenses were successful in 2005, and General Fund receipts were less than disbursements by \$11,136 indicating that efforts to contain cost, and limit expenses were not successful in 2004.

General Fund Budgeting Highlights

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

During 2005 and 2004, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts due to unexpected increases in Intergovernmental receipts from State of Ohio. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$105,851 while actual disbursements were \$34,065 in 2005, and final disbursements were budgeted at \$112,706 while actual disbursements were \$66,713 in 2004. Although receipts failed to live up to expectations, appropriations were not reduced. The Library kept spending very close to budgeted amounts as demonstrated by the original budget amounts as compared to the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

At June 30, 2005, the Library has no outstanding debt.

Current Issues

As the preceding information shows, the Library heavily depends on intergovernmental monies. With the Local Government Support Fund being frozen at the 2004 level for the calendar year 2005, and a cut by 5 percent each month for the calendar year 2006, the Library will be faced with making changes contain costs and determine what other options are available to the Library to increase financial resources.

In April 2005, the State Library of Ohio created two task forces, Funding and Services, to provide recommendations concerning the future of Regional Library Systems. Based on the recommendations of these two task forces, the State Library has created a plan for the future of Regional Library Systems. The plan calls for the creation of four Regional Library Systems: Northeast, Northwest, Southeast, and Southwest. The target completion date for implementation of this plan is July 1, 2006. This will either require the consolidation of or dissolution of some or all of the current Regional Libraries, including OVAL, by that date. Based on this, the OVAL Board has approved to discontinue continuing education workshops after April, 2006. The Board has not yet approved the formal/legal dissolution of OVAL. The Board has, however, contracted with an attorney to assist with the dissolution of OVAL.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Regina Ghearing, Clerk-Treasurer, Ohio Valley Area Libraries, 252W 13th Street, Wellston, Ohio 45692, or e-mail at ghearire@oplin.org.

Ohio Valley Area Libraries, JacksonCounty

Statement of Net Assets - Modified Cash Basis

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$104,301	\$17,286	\$121,587
<i>Total Assets</i>	<u>\$104,301</u>	<u>\$17,286</u>	<u>\$121,587</u>
Net Assets			
Restricted for:			
Capital Projects	\$16,098	\$0	\$16,098
Other Purposes	14,340	0	14,340
Unrestricted	<u>73,863</u>	<u>17,286</u>	<u>91,149</u>
<i>Total Net Assets</i>	<u>\$104,301</u>	<u>\$17,286</u>	<u>\$121,587</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets Primary Government		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Salaries	\$117,389	\$	\$	\$	(\$117,389)		(\$117,389)
Employee Fringe Benefits	36,913				(36,913)		(36,913)
Purchased and Contracted Services	69,804	27,163	11,482		(31,159)		(31,159)
Library Materials and Information	1,033	1,357			324		324
Supplies	14,205	3,134	2,268		(8,803)		(8,803)
Other	3,743	4,919			1,176		1,176
Capital Outlay	20,622	1,562			(19,060)		(19,060)
<i>Total Governmental Activities</i>	<u>263,709</u>	<u>38,135</u>	<u>13,750</u>	<u>0</u>	<u>(211,824)</u>	<u>0</u>	<u>(211,824)</u>
Business-Type Activities:							
Books by Mail Program	113,518	111,199	0	0	0	(2,319)	(2,319)
<i>Total Business Activities</i>	<u>113,518</u>	<u>111,199</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,319)</u>	<u>(2,319)</u>
Totals	<u>\$377,227</u>	<u>\$149,334</u>	<u>\$13,750</u>	<u>\$0</u>	<u>(211,824)</u>	<u>(2,319)</u>	<u>(214,143)</u>
		General Receipts					
		Intergovernmental Revenue			211,936	0	211,936
		Interest			2,683	0	2,683
		Miscellaneous			3,790	0	3,790
		<i>Total General Receipts</i>			<u>218,409</u>	<u>0</u>	<u>218,409</u>
		Change in Net Assets			6,585	(2,319)	4,266
		<i>Net Assets Beginning of Year</i>			<u>97,716</u>	<u>19,605</u>	<u>117,321</u>
		<i>Net Assets End of Year</i>			<u>\$104,301</u>	<u>\$17,286</u>	<u>\$121,587</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2005

	General	Special Revenue State	Building Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$73,863	\$14,340	\$16,098	\$104,301
<i>Total Assets</i>	<u>\$73,863</u>	<u>\$14,340</u>	<u>\$16,098</u>	<u>\$104,301</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$5,044	\$15,145	\$	\$20,189
Unreserved:				
Undesignated, Reported in:				
General Fund	68,819			68,819
Special Revenue Funds		(805)		(805)
Capital Projects Funds			16,098	16,098
<i>Total Fund Balances</i>	<u>\$73,863</u>	<u>\$14,340</u>	<u>\$16,098</u>	<u>\$104,301</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2005

	General	Special Revenue State	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$2,550	\$209,386	\$	\$13,750	\$225,686
Patron Fines and Fees	16,385				16,385
Services Provided to Other Entities	21,750				21,750
Earnings on Investments	2,683				2,683
Miscellaneous	3,790				3,790
<i>Total Receipts</i>	<u>47,158</u>	<u>209,386</u>	<u>0</u>	<u>13,750</u>	<u>270,294</u>
Disbursements					
Current:					
Salaries		117,389			117,389
Employee Fringe Benefits		36,913			36,913
Purchased & Contracted Services	20,671	34,754	784	13,595	69,804
Library Material & Information	1,033				1,033
Supplies	2,385	9,134		2,686	14,205
Other	3,743				3,743
Capital Outlay	1,189	19,433			20,622
<i>Total Disbursements</i>	<u>29,021</u>	<u>217,623</u>	<u>784</u>	<u>16,281</u>	<u>263,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,137</u>	<u>(8,237)</u>	<u>(784)</u>	<u>(2,531)</u>	<u>6,585</u>
<i>Net Change in Fund Balances</i>	18,137	(8,237)	(784)	(2,531)	6,585
<i>Fund Balances Beginning of Year</i>	<u>55,726</u>	<u>22,577</u>	<u>16,882</u>	<u>2,531</u>	<u>97,716</u>
<i>Fund Balances End of Year</i>	<u>\$73,863</u>	<u>\$14,340</u>	<u>\$16,098</u>	<u>\$0</u>	<u>\$104,301</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$0	\$2,550	\$2,550	\$0
Patron Fines and Fees	4000	4060	16,385	12,325
Earnings on Investments	1500	2683	2,683	0
Services Provided to Other Entities	26000	21750	21,750	0
Miscellaneous	0	3790	3,790	0
<i>Total Receipts</i>	<u>31,500</u>	<u>34,833</u>	<u>47,158</u>	<u>12,325</u>
Disbursements				
Current:				
Purchased and Contracted Services	46,263	60,491	25,715	34,776
Library Material and Information	1,955	1,955	1,033	922
Supplies	8,656	9,757	2,385	7,372
Other	710	4,053	3,743	310
Capital Outlay	4,344	4,344	1,189	3,155
Contingency	23,964	25,251	0	25,251
<i>Total Disbursements</i>	<u>85,892</u>	<u>105,851</u>	<u>34,065</u>	<u>71,786</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(54,392)</u>	<u>(71,018)</u>	<u>13,093</u>	<u>84,111</u>
<i>Fund Balance Beginning of Year</i>	52,760	52,760	52,760	0
Prior Year Encumbrances Appropriated	<u>2,966</u>	<u>2,966</u>	<u>2,966</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,334</u></u>	<u><u>(\$15,292)</u></u>	<u><u>\$68,819</u></u>	<u><u>\$84,111</u></u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Special Revenue - State Fund
 For the Year Ended June 30, 2005*

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$209,386	\$209,386	\$209,386	\$0
<i>Total Receipts</i>	<u>209,386</u>	<u>209,386</u>	<u>209,386</u>	<u>0</u>
Disbursements				
Current:				
Salaries	141,891	144,441	120,937	23,504
Employee Fringe Benefits	54,357	52,422	42,684	9,738
Purchased and Contracted Services	30,257	48,873	36,411	12,462
Supplies	4,704	11,399	9,134	2,265
Other	0	150	0	150
Capital Outlay	23,330	57,398	23,601	33,797
<i>Total Disbursements</i>	<u>254,539</u>	<u>314,683</u>	<u>232,767</u>	<u>81,916</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,153)</u>	<u>(105,297)</u>	<u>(23,381)</u>	<u>81,916</u>
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>22,576</u>	<u>22,576</u>	<u>22,576</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$22,577)</u>	<u>(\$82,721)</u>	<u>(\$805)</u>	<u>\$81,916</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2005

	Enterprise
	Books by Mail Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$17,286
<i>Total Assets</i>	\$17,286
Net Assets	
Unrestricted	\$17,286

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County

Statement of Cash Receipts,

Disbursements and Changes in Fund Net Assets - Modified Cash Basis

Proprietary Fund

For the Year Ended June 30, 2005

	<u>Books by Mail Fund</u>
Operating Receipts	
Services Provided to Other Entities	<u>\$111,199</u>
<i>Total Operating Receipts</i>	<u>111,199</u>
Operating Disbursements	
Salaries	22,353
Employee Fringe Benefits	8,536
Purchased and Contracted Services	61,594
Library Materials and Information	20,607
Supplies	<u>428</u>
<i>Total Operating Disbursements</i>	<u>113,518</u>
<i>Operating Income (Loss)</i>	<u>(2,319)</u>
<i>Net Assets Beginning of Year</i>	<u>19,605</u>
<i>Net Assets End of Year</i>	<u><u>\$17,286</u></u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
June 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3</u>
<i>Total Assets</i>	<u><u>\$3</u></u>
Net Assets	
Unrestricted	<u><u>\$3</u></u>

See accompanying notes to the basic financial statements

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Ohio Valley Area Libraries, Jackson County

Statement of Net Assets - Modified Cash Basis

June 30, 2004

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$97,716	\$19,605	\$117,321
<i>Total Assets</i>	<u>\$97,716</u>	<u>\$19,605</u>	<u>\$117,321</u>
Net Assets			
Restricted for:			
Capital Projects	\$16,882	\$0	\$16,882
Other Purposes	25,108	0	25,108
Unrestricted	<u>55,726</u>	<u>19,605</u>	<u>75,331</u>
<i>Total Net Assets</i>	<u>\$97,716</u>	<u>\$19,605</u>	<u>\$117,321</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2004

	General	Special Revenue State	Special Revenue Federal	Building Improvement Fund	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$55,726	\$22,577	\$2,531	\$16,882	\$97,716
<i>Total Assets</i>	<u>\$55,726</u>	<u>\$22,577</u>	<u>\$2,531</u>	<u>\$16,882</u>	<u>\$97,716</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$2,966	\$22,577	\$8,133	\$500	\$34,176
Unreserved:					
Undesignated, Reported in:					
General Fund	52,760				52,760
Special Revenue Funds			(5,602)		(5,602)
Capital Projects Funds				16,382	16,382
<i>Total Fund Balances</i>	<u>\$55,726</u>	<u>\$22,577</u>	<u>\$2,531</u>	<u>\$16,882</u>	<u>\$97,716</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2004

	General	Special Revenue State	Special Revenue Federal	Building Fund	Total Governmental Funds
Receipts					
Intergovernmental	\$10,000	\$213,841	\$41,250	\$	\$265,091
Patron Fines and Fees	5,872				5,872
Services Provided to Other Entities	30,727				30,727
Earnings on Investments	1,996				1,996
Miscellaneous	4,016				4,016
<i>Total Receipts</i>	<u>52,611</u>	<u>213,841</u>	<u>41,250</u>	<u>0</u>	<u>307,702</u>
Disbursements					
Current:					
Salaries	12,400	115,806	8,433		136,639
Employee Fringe Benefits	5,168	40,441	2,817		48,426
Purchased & Contracted Services	34,576	27,286	24,081	2,149	88,092
Library Material & Information	613				613
Supplies	6,769	3,869	687		11,325
Other	780		201		981
Capital Outlay	3,441	19,006	2,500		24,947
<i>Total Disbursements</i>	<u>63,747</u>	<u>206,408</u>	<u>38,719</u>	<u>2,149</u>	<u>311,023</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,136)</u>	<u>7,433</u>	<u>2,531</u>	<u>(2,149)</u>	<u>(3,321)</u>
<i>Net Change in Fund Balances</i>	<u>(11,136)</u>	<u>7,433</u>	<u>2,531</u>	<u>(2,149)</u>	<u>(3,321)</u>
<i>Fund Balances Beginning of Year</i>	<u>66,862</u>	<u>15,144</u>	<u>0</u>	<u>19,031</u>	<u>101,037</u>
<i>Fund Balances End of Year</i>	<u>\$55,726</u>	<u>\$22,577</u>	<u>\$2,531</u>	<u>\$16,882</u>	<u>\$97,716</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$0	\$10,000	\$10,000	\$0
Patron Fines and Fees	0	5820	5,872	52
Earnings on Investments	3000	2144	1,996	(148)
Services Provided to Other Entities	30000	26427	30,727	4,300
Miscellaneous	5000	4016	4,016	0
<i>Total Receipts</i>	<u>38,000</u>	<u>48,407</u>	<u>52,611</u>	<u>4,204</u>
Disbursements				
Current:				
Salaries	12,400	12,400	12,400	0
Employee Fringe Benefits	10,875	5,553	5,168	385
Purchased and Contracted Services	45,289	51,039	37,149	13,890
Library Material and Information	1,984	2,788	613	2,175
Supplies	7,397	8,397	7,038	1,359
Other	870	1,490	780	710
Capital Outlay	1,799	7,575	3,565	4,010
Contingency	24,405	23,464	0	23,464
<i>Total Disbursements</i>	<u>105,019</u>	<u>112,706</u>	<u>66,713</u>	<u>45,993</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,019)</u>	<u>(64,299)</u>	<u>(14,102)</u>	<u>50,197</u>
<i>Fund Balance Beginning of Year</i>	66,705	66,705	66,705	0
Prior Year Encumbrances Appropriated	157	157	157	0
<i>Fund Balance End of Year</i>	<u>(\$157)</u>	<u>\$2,563</u>	<u>\$52,760</u>	<u>\$50,197</u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Special Revenue - State Fund
 For the Year Ended June 30, 2004*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$222,751	\$213,841	\$213,841	\$0
<i>Total Receipts</i>	<u>222,751</u>	<u>213,841</u>	<u>213,841</u>	<u>0</u>
Disbursements				
Current:				
Salaries	134,330	124,327	120,779	3,548
Employee Fringe Benefits	62,752	47,643	41,873	5,770
Purchased and Contracted Services	32,016	31,398	29,741	1,657
Supplies	600	5,921	5,921	0
Capital Outlay	23,340	34,840	30,671	4,169
<i>Total Disbursements</i>	<u>253,038</u>	<u>244,129</u>	<u>228,985</u>	<u>15,144</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,287)</u>	<u>(30,288)</u>	<u>(15,144)</u>	<u>15,144</u>
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>15,144</u>	<u>15,144</u>	<u>15,144</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$15,143)</u></u>	<u><u>(\$15,144)</u></u>	<u><u>\$0</u></u>	<u><u>\$15,144</u></u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Special Revenue - Federal Fund
 For the Year Ended June 30, 2004*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$0	\$55,000	\$41,250	(\$13,750)
<i>Total Receipts</i>	0	55,000	41,250	(13,750)
Disbursements				
Current:				
Salaries	0	8,433	8,433	0
Employee Fringe Benefits	0	2,817	2,817	0
Purchased and Contracted Services	0	38,147	30,033	8,114
Supplies	0	2,868	2,868	0
Other	0	234	201	33
Capital Outlay	0	2,500	2,500	0
<i>Total Disbursements</i>	0	54,999	46,852	8,147
<i>Excess of Receipts Over (Under) Disbursements</i>	0	1	(5,602)	(5,603)
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$1	(\$5,602)	(\$5,603)

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Fund
June 30, 2004

	Enterprise
	Books by Mail Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$19,606
<i>Total Assets</i>	\$19,606
Net Assets	
Unrestricted	\$19,606

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County

Statement of Cash Receipts,

Disbursements and Changes in Fund Net Assets - Modified Cash Basis

Proprietary Fund

For the Year Ended June 30, 2004

	<u>Books by Mail Fund</u>
Operating Receipts	
Services Provided to Other Entities	<u>\$147,728</u>
<i>Total Operating Receipts</i>	<u>147,728</u>
Operating Disbursements	
Salaries	28,268
Employee Fringe Benefits	10,210
Purchased and Contracted Services	80,954
Library Materials and Information	20,880
Supplies	760
Capital Outlay	<u>9,893</u>
<i>Total Operating Disbursements</i>	<u>150,965</u>
<i>Operating Income (Loss)</i>	<u>(3,237)</u>
<i>Income (Loss) before Transfers and Advances</i>	(3,237)
<i>Change in Net Assets</i>	(3,237)
<i>Net Assets Beginning of Year</i>	<u>22,842</u>
<i>Net Assets End of Year</i>	<u><u>\$19,605</u></u>

See accompanying notes to the basic financial statements

Ohio Valley Area Libraries, Jackson County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$39</u>
<i>Total Assets</i>	<u><u>\$39</u></u>
Net Assets	
Unrestricted	<u><u>\$39</u></u>

See accompanying notes to the basic financial statements

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 1 – Description Of The Library And Reporting Entity

The Ohio Valley Area Libraries, Jackson County, Ohio (the Library), is an area regional library system created and governed according to the provisions of Ohio Rev. Code § 3375.90. Under the provisions of Ohio Rev. Code § 3375.90, an area regional library system is subject to the record keeping procedures prescribed by the Auditor of State and is subject to audit.

The Library is composed of autonomous libraries in the Ohio counties of Athens, Hocking, Jackson, Lawrence, Meigs, Pike, Ross, Scioto, and Vinton, and derives its power from Ohio Rev. Code § 3375.90, and other relevant sections.

The Board of Trustees consists of up to twelve appointed members, one from each member public library, appointed for two-year terms, staggered so that some terms, but not all, expire each year. The Board can also include three additional members: one member from the collective member school libraries; one member from the collective member academic libraries; and one member from the collective member special libraries. These members are appointed for one year terms.

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. (The Library does not apply FASB statements issued after November 30, 1989 to its business-type activities and to its enterprise funds.) 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 and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 2 – Summary of Significant Accounting Policies (Continued)

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, except for fiduciary funds. 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 intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities and business-type 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental and enterprise 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 divided into three categories, governmental, proprietary and fiduciary.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

General Fund - The General Fund accounts for 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.

Special Revenue State Fund – This fund received money from the State for operating expenses of the Library.

Special Revenue Federal Fund – This fund received money from the federal government for operating expenses of the Library. (Major fund in fiscal year 2004 only)

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

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Library classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Library's major Enterprise Fund is:

Books by Mail Fund – This fund received money from public participating member libraries for services rendered by the Library.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for money received from participating member libraries to pay insurance expenses of the user group.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Library's financial statements are prepared using the modified 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 modified 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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

E. Cash and Cash Equivalents

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

F. 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.

G. 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.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

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

I. 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.

J. 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..

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.

K. 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 fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

For fiscal years 2002 and 2003, the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For fiscal years 2004 and 2005, the Library has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

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 and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 4 – Budgetary Basis of Accounting(Continued)

The table below presents those differences for the Library’s Major Funds:

<u>June 30, 2005</u>	General Fund	Special Revenue State Fund	
Budgetary Basis Fund Balance	\$68,819	\$(805)	
Encumbrances	<u>5,044</u>	<u>15,145</u>	
 Fund Cash Balance	 \$73,863	 \$14,340	
 <u>June 30, 2004</u>	General Fund	Special Revenue State Fund	Special Revenue Federal Fund
Budgetary Basis Fund Balance	\$52,760	\$0	\$(5,602)
Encumbrances	<u>2,966</u>	<u>22,577</u>	<u>8,133</u>
 Fund Cash Balance	 \$55,726	 \$22,577	 \$2,531

Note 5 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 5 - Deposits and Investments (Continued)

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 (STAR Ohio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At June 30, 2005, the carrying amount of the Library's deposits was \$121,590 and the bank balance was \$150,842. Of the bank balance \$100,000 was covered by federal depository insurance and \$50,842 was uninsured and uncollateralized. At June 30, 2004, the carrying amount of the Library's deposits was \$117,360 and the bank balance was \$145,729. Of the bank balance \$100,000 was covered by federal depository insurance and \$45,729 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

Note 6 - Risk Management

Commercial Insurance

The Ohio Valley Area Libraries has obtained commercial insurance for the following risks:

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

The Library also provides health insurance to full-time employees through a private carrier.

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.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 7 – Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS 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.

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) 222-6705 or (800) 222-7377.

For the years ended June 30, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 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 June 30, 2005, 2004, and 2003 were \$15,488, \$26,499, and \$25,304 respectively; the full amount has been contributed for 2005, 2004, and 2003.

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 recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005 AND JUNE 30, 2004**

Note 8 – Postemployment Benefits (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Contingent Liabilities

The Library is not involved in any lawsuits.

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10 – Subsequent Event

In April 2005, the State Library of Ohio created two task forces, Funding and Services, to provide recommendations concerning the future of Regional Library Systems. Based on the recommendations of these two task forces, the State Library has created a plan for the future of Regional Library Systems. The plan calls for the creation of four Regional Library Systems: Northeast, Northwest, Southeast, and Southwest. The target completion date for implementation of this plan is July 1, 2006. This will either require the consolidation of or dissolution of some or all of the current Regional Libraries, including OVAL, by that date. Based on this, the OVAL Board has approved to discontinue continuing education workshops after April, 2006. The Board has not yet approved the formal/legal dissolution of OVAL. The Board has, however, contracted with an attorney to assist with the dissolution of OVAL.

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**Auditor of State
Betty Montgomery**

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

Ohio Valley Area Libraries
Jackson County
252 West Thirteenth Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Ohio Valley Area Libraries, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated December 14, 2005, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

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Ohio Valley Area Libraries
Jackson County
Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 14, 2005



**Auditor of State
Betty Montgomery**

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OHIO VALLEY AREA LIBRARIES

JACKSON 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
FEBRUARY 16, 2006**