



**Auditor of State  
Betty Montgomery**



**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

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# 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 Ohio Valley Area Libraries, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Ohio Valley Area Libraries, Jackson County, as of June 30, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2003 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

November 17, 2003

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Intergovernmental	\$	\$303,879	\$	\$303,879
Patron Fines and Fees	73			73
Earnings on Investments	3,592			3,592
Services Provided to Other Entities	41,918			41,918
Miscellaneous Receipts	13,375			13,375
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	58,958	303,879	0	362,837
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Salaries		165,350		165,350
Employee Fringe Benefits		45,219		45,219
Purchased and Contracted Services	31,181	53,438	979	85,598
Library Materials and Information	1,036			1,036
Supplies	2,093	7,092		9,185
Other	490			490
Capital Outlay		38,344		38,344
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	34,800	309,443	979	345,222
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	24,158	(5,564)	(979)	17,615
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1, 2002	42,704	20,708	20,010	83,422
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, June 30, 2003</b>	<b><u>\$66,862</u></b>	<b><u>\$15,144</u></b>	<b><u>\$19,031</u></b>	<b><u>\$101,037</u></b>
	<hr/>	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, June 30, 2003	<u>\$156</u>	<u>\$15,144</u>	<u>\$1,200</u>	<u>\$16,500</u>

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

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Services Provided to Other Entities	\$198,431	\$141,416	\$339,847
Total Operating Cash Receipts	<u>198,431</u>	<u>141,416</u>	<u>339,847</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries	28,272		28,272
Employee Fringe Benefits	9,850		9,850
Purchased and Contracted Services	96,892	8,038	104,930
Library Materials and Information	41,345		41,345
Supplies	795	94	889
Other		165,967	165,967
Capital Outlay	11,670		11,670
Total Operating Cash Disbursements	<u>188,824</u>	<u>174,099</u>	<u>362,923</u>
Operating Income/(Loss)	<u>9,607</u>	<u>(32,683)</u>	<u>(23,076)</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments		274	274
Total Non-Operating Cash Receipts	<u>0</u>	<u>274</u>	<u>274</u>
Net Receipts Over/(Under) Disbursements	9,607	(32,409)	(22,802)
Fund Cash Balances, July 1, 2002	<u>13,235</u>	<u>31,379</u>	<u>44,614</u>
<b>Fund Cash Balances, June 30, 2003</b>	<b><u>\$22,842</u></b>	<b><u>(\$1,030)</u></b>	<b><u>\$21,812</u></b>
Reserves for Encumbrances, June 30, 2003	<u>\$719</u>	<u>\$0</u>	<u>\$719</u>

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



**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Intergovernmental	\$	\$364,084	\$	\$364,084
Patron Fines and Fees	52			52
Earnings on Investments	5,589			5,589
Services Provided to Other Entities	7,436			7,436
Miscellaneous Receipts	14,189			14,189
	<u>27,266</u>	<u>364,084</u>	<u>0</u>	<u>391,350</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Salaries		154,670		154,670
Employee Fringe Benefits	119	39,349		39,468
Purchased and Contracted Services	36,288	66,020	1,043	103,351
Library Materials and Information	931			931
Supplies	1,528	5,261		6,789
Other	4,572	230		4,802
Capital Outlay	4,235	118,742	615	123,592
	<u>47,673</u>	<u>384,272</u>	<u>1,658</u>	<u>433,603</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(20,407)</u>	<u>(20,188)</u>	<u>(1,658)</u>	<u>(42,253)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	21,916			21,916
	<u>21,916</u>			<u>21,916</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
	<u>21,916</u>	<u>0</u>	<u>0</u>	<u>21,916</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,509	(20,188)	(1,658)	(20,337)
Fund Cash Balances, July 1, 2001	41,195	40,896	21,668	103,759
<b>Fund Cash Balances, June 30, 2002</b>	<u><b>\$42,704</b></u>	<u><b>\$20,708</b></u>	<u><b>\$20,010</b></u>	<u><b>\$83,422</b></u>
Reserves for Encumbrances, June 30, 2002	<u>\$3,384</u>	<u>\$20,708</u>	<u>\$575</u>	<u>\$24,667</u>

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

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Services Provided to Other Entities	\$159,479	\$143,857	\$303,336
Total Operating Cash Receipts	<u>159,479</u>	<u>143,857</u>	<u>303,336</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Salaries	45,495		45,495
Employee Fringe Benefits	13,793		13,793
Purchased and Contracted Services	56,405	26,824	83,229
Library Materials and Information	30,036		30,036
Supplies	516	523	1,039
Other		123,431	123,431
Total Operating Cash Disbursements	<u>146,245</u>	<u>150,778</u>	<u>297,023</u>
Operating Income/(Loss)	<u>13,234</u>	<u>(6,921)</u>	<u>6,313</u>
<b>Non-Operating Cash Receipts:</b>			
Government Grants In Aid		3,000	3,000
Earnings on Investments		1,063	1,063
Total Non-Operating Cash Receipts	<u>0</u>	<u>4,063</u>	<u>4,063</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	13,234	(2,858)	10,376
Transfers-Out	<u>(21,916)</u>		<u>(21,916)</u>
Net Receipts Over/(Under) Disbursements	(8,682)	(2,858)	(11,540)
Fund Cash Balances, July 1, 2001	<u>21,917</u>	<u>34,237</u>	<u>56,154</u>
<b>Fund Cash Balances, June 30, 2002</b>	<b><u>\$13,235</u></b>	<b><u>\$31,379</u></b>	<b><u>\$44,614</u></b>
Reserves for Encumbrances, June 30, 2002	<u>\$5,890</u>	<u>\$11,003</u>	<u>\$16,893</u>

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

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ohio Valley Area Libraries (the Library), is an area regional library system created and governed according to the provisions of Ohio Rev. Code § 3375.90. The Library cannot be defined as a political subdivision or taxing district, therefore, it is not required to file an annual financial report. 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 public 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 of each member library shall elect one of its Trustees to the Library Board of Trustees, for a two-year term, arranged so that half of the terms expire each year.

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**

Cash accounts are valued at cost. The Library has a primary checking account and a money market account.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

*State Library Fund* - This fund received money from the state for operating expenses of the Library

**3. 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 used money from this fund for capital repairs and maintenance.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Library had the following significant Enterprise Fund:

*Outside Books by Mail Contracts Fund* - This fund received money from public participating member libraries for services rendered by the Library.

**5. Fiduciary Funds (Agency Funds)**

Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant Fiduciary Fund:

*Insurance Fund* - This Agency Fund received money from participating member libraries to pay insurance expenses of the user group.

**E. Budgetary Process**

**1. Appropriations**

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

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Library reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**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 June 30 follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 122,849	\$ 128,036

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2003 and June 30, 2002:

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

June 30, 2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,958	\$58,958	\$0
Special Revenue	303,879	303,879	0
Capital Projects	0	0	0
Enterprise	198,431	198,431	0
Fiduciary	141,690	141,690	0
Total	<u>\$702,958</u>	<u>\$702,958</u>	<u>\$0</u>

June 30, 2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,662	\$34,956	\$66,706
Special Revenue	324,587	324,587	0
Capital Projects	20,010	2,179	17,831
Enterprise	211,666	189,543	22,123
Fiduciary	174,099	174,099	0
Total	<u>\$832,024</u>	<u>\$725,364</u>	<u>\$106,660</u>

June 30, 2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,266	\$49,182	\$21,916
Special Revenue	364,084	364,084	0
Enterprise	159,479	159,479	0
Fiduciary	151,596	147,920	(3,676)
Total	<u>\$702,425</u>	<u>\$720,665</u>	<u>\$18,240</u>

June 30, 2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,377	\$51,057	\$39,320
Special Revenue	404,980	404,980	0
Capital Projects	21,668	2,233	19,435
Enterprise	159,479	174,051	(14,572)
Fiduciary	185,833	161,781	24,052
Total	<u>\$862,337</u>	<u>\$794,102</u>	<u>\$68,235</u>

**OHIO VALLEY AREA LIBRARIES  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. LEASE PURCHASE AGREEMENT**

The Library had the following lease purchase agreement outstanding at June 30, 2003:

<u>Provider</u>	<u>Purpose</u>	<u>Amount</u>
Arthur Alan Corporation	Building Office Space	\$28,899

**5. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all employer contributions required through June 30, 2003.

**6. RISK MANAGEMENT**

The Library has obtained commercial insurance for the following risks:

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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL 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 accompanying financial statements of the Ohio Valley Area Libraries, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated November 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Library in a separate letter dated November 17, 2003.

Ohio Valley Area Libraries  
Jackson County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

November 17, 2003



**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  
DECEMBER 30, 2003**