

OAK HILL PUBLIC LIBRARY

Jackson County

Regular Audit

January 1, 2003 through December 31, 2004

Fiscal Years Audited Under GAGAS: 2003 & 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Oak Hill Public Library
226 S. Front Street
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of the Oak Hill Public Library, Jackson County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 4, 2005

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**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

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Member American Institute of Certified Public Accountants

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Independent Auditor's Report

Board of Trustees
Oak Hill Public Library
316 West Main Street
Oak Hill, Ohio 45656

We have audited the accompanying financial statements of the Oak Hill Public Library, Jackson County, (the Library) as of and for the years ended December 31, 2004 and December 31, 2003. 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 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 opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Library does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since the Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2004, or their changes in financial position for the year then ended.

Also, 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 Oak Hill Public Library, Jackson County, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion & Analysis for the years ended December 31, 2004. The Library has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2005, on our consideration of the Government'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 27, 2005

**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
State Income Taxes	\$ 261,606	\$ -	\$ 261,606
Patron Fines and Fees	3,612	-	3,612
Earnings on Investments	4,976	-	4,976
Contributions, Gifts and Donations	3,750	-	3,750
Miscellaneous Receipts	9,425	-	9,425
	<u>283,369</u>	<u>-</u>	<u>283,369</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries and Benefits	94,976	-	94,976
Purchased and Contracted Services	76,260	-	76,260
Other Objects	2,777	-	2,777
Library Materials	25,434	-	25,434
Supplies	3,888	-	3,888
Capital Outlay	374,363	464,165	838,528
	<u>577,698</u>	<u>464,165</u>	<u>1,041,863</u>
Total Cash Disbursements			
	<u>(294,329)</u>	<u>(464,165)</u>	<u>(758,494)</u>
Total Cash Receipts Over/(Under) Cash Disbursements			
Other Financing Receipts/(Disbursements):			
Proceeds from Sales of Property	100,000	-	100,000
	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Other Financing Receipts/(Disbursements)			
	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(194,329)	(464,165)	(658,494)
Fund Cash Balances, January 1	<u>552,191</u>	<u>464,165</u>	<u>1,016,356</u>
Fund Cash Balances, December 31	<u>\$ 357,862</u>	<u>\$ -</u>	<u>\$ 357,862</u>
Reserves for Encumbrances, December 31	<u>\$ 1,961</u>	<u>\$ -</u>	<u>\$ 1,961</u>

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

**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types		Totals
	General	Capital Projects	(Memorandum Only)
Cash Receipts:			
State Income Taxes	\$ 259,980	\$ -	\$ 259,980
Patron Fines and Fees	3,798	-	3,798
Earnings on Investments	15,384	-	15,384
Contributions, Gifts and Donations	575	-	575
	<u>279,737</u>	<u>-</u>	<u>279,737</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Salaries and Benefits	88,237	-	88,237
Purchased and Contracted Services	52,413	-	52,413
Other Objects	2,346	-	2,346
Library Materials	28,156	-	28,156
Supplies	1,829	-	1,829
Capital Outlay	90,706	487,378	578,084
	<u>263,687</u>	<u>487,378</u>	<u>751,065</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>16,050</u>	<u>(487,378)</u>	<u>(471,328)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,050	(487,378)	(471,328)
Fund Cash Balances, January 1	<u>536,141</u>	<u>951,543</u>	<u>1,487,684</u>
Fund Cash Balances, December 31	<u>\$ 552,191</u>	<u>\$ 464,165</u>	<u>\$ 1,016,356</u>
Reserves for Encumbrances, December 31	<u>692</u>	<u>-</u>	<u>692</u>

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

**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Oak Hill Public Library, Jackson County (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Oak Hill Board of Education. The Library provides the community with various educational and literary resources. The Library is involved with the Ohio Valley Area Libraries (OVAL) which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 8.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Capital Projects Fund

This fund is used for the purpose of improvements to the existing facility and for construction of the new library facility.

E. Budgetary Process

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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

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 and certificates of deposit at December 31 follows:

	2004	2003
Demand deposits	\$ 206,401	\$ 868,430
Certificates of deposit	151,461	147,916
Total deposits	\$ 357,862	\$ 1,016,346

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 December 31, 2004 and 2003, follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 729,592	\$ 579,659	\$ 149,933
Capital Projects	464,165	464,165	-
Total	\$ 1,193,757	\$ 1,043,824	\$ 149,933

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 413,376	\$ 264,379	\$ 148,997
Capital Projects	951,543	487,378	464,165
Total	\$ 1,364,919	\$ 751,757	\$ 613,162

**OAK HILL PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. GRANTS-IN-AID

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. For 2004 and 2003, the Library's 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 contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland marine for computer equipment and valuable papers and records.

There has been no significant change in coverage from prior years. Settled claims have not exceeded commercial coverage in the past three years.

7. CONTINGENT LIABILITIES

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

8. JOINTLY GOVERNED ORGANIZATION

The Ohio Valley Area Libraries (OVAL) is an area Library service organization created and governed according to the provisions of Sections 3375.70 through 3375.73, Revised Code. OVAL is composed of autonomous public Libraries in the Ohio Counties of Athens, Hocking, Jackson, Lawrence, Meigs, Pike, Ross, Scioto and Vinton. OVAL's Board of Trustees is comprised of the Library Director from each of the member Libraries. The Oak Hill Public Library's control over budgeting and financing of OVAL is limited to its voting authority and its representation on OVAL's Board of Trustees.

The Library pays an annual fee to the Ohio Valley Area Libraries. The Library paid membership dues in the amount of \$188 during OVAL's fiscal year July 1, 2003 to June 30, 2004. The Library paid membership dues in the amount of \$188 for OVAL's fiscal year July 1, 2003 to June 30, 2004. The Library paid \$13,754 to OVAL during the period January 1, 2003 through December 31, 2004 for various fees and services.

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Ohio Society of Certified Public

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Oak Hill Public Library
316 West Main Street
Oak Hill, Ohio 45656

We have audited the financial statements of the Oak Hill Public Library, Jackson County, Ohio (the Library), as of and for the years ended December 31, 2004 and December 31, 2003 and have issued our report thereon dated August 27, 2005, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over 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 an opinion 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 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 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Oak Hill Public Library
Jackson County
Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, 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 cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 27, 2005



**Auditor of State
Betty Montgomery**

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OAK HILL PUBLIC LIBRARY

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
NOVEMBER 17, 2005**