



Mary Taylor, CPA
Auditor of State

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

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**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southeast Regional Library System
Jackson County
252 W. 13th Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio, as of June 30, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Special Revenue State Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 1 to the financial statements, the Library, formerly known as the Ohio Valley Area Libraries (OVAL), was reorganized on July 1, 2006 by combining the OVAL with the SOLO Regional Library System to form the Southeast Regional Library System. With this reorganization, the Books by Mail program, the Library's only business type activity, was discontinued effective June 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

Mary Taylor, CPA
Auditor of State

February 4, 2008

This discussion and analysis of the Southeast Regional Library Systems financial performance provides an overall review of the Library's financial activities for the years ended June 30, 2007 and 2006, within the limitations of the Library's 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 2007 are as follows:

Net assets of activities decreased \$7,941, or 6.1 percent, a slight change from the prior year.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 84 percent of the total cash received for governmental activities during the year.

Key highlights for 2006 are as follows:

Net assets of activities increased \$7,594, or 6.2 percent, a slight change from the prior year. Net assets of governmental activities increased \$24,880, which represents a 23.9% increase from 2006. Net assets for the business-type activities decreased \$17,286 due to the discontinuation of the Books by Mail program.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent respectively 84 percent of the total cash received for governmental activities during the year.

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2007 and 2006, within the limitations of 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 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. This program was discontinued effective June 30, 2006 leaving only Governmental Activities for the year ended June 30, 2007.

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, 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 (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Library as a whole.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 compared to 2006, and 2006 compared to the prior year on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$121,239	\$129,180
Total Assets	\$121,239	\$129,180
Net Assets		
Restricted for:		
Capital Projects	\$12,040	\$12,789
Other Purposes	35,856	10,153
Unrestricted	73,343	106,238
Total Net Assets	\$121,239	\$129,180

Southeast Regional Library System
Management's Discussion and Analysis
June 30, 2007 and 2006 (Unaudited)

(Table 1 Continued)

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$129,180	\$104,301	\$0	\$17,286	\$129,180	\$121,587
Total Assets	\$129,180	\$104,301	\$0	\$17,286	\$129,180	\$121,587
Net Assets						
Restricted for:						
Capital Projects	\$12,789	\$16,098	\$0	\$0	\$12,789	\$16,098
Other Purposes	10,153	14,340	0	0	10,153	14,340
Unrestricted	106,238	73,863	0	17,286	106,238	91,149
Total Net Assets	\$129,180	\$104,301	\$0	\$17,286	\$129,180	\$121,587

As mentioned previously, total net assets of activities decreased \$7,941 or 6.1 percent during 2007, and increased \$7,594 or 6.2 percent during 2006.

Southeast Regional Library System
Management's Discussion and Analysis
June 30, 2007 and 2006 (Unaudited)

Table 2 reflects the changes in net assets in 2007 and 2006 and the changes in net assets in 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$23,446	\$30,624	\$0	\$52,507	\$23,446	\$83,131
Total Program Receipts	23,446	30,624	0	52,507	23,446	83,131
General Receipts:						
Intergovernmental	263,610	188,447	0	0	263,610	188,447
Interest	5,420	4,267	0	0	5,420	4,267
Receipt from SOLO	7,316	0	0	0	7,316	0
Miscellaneous	970	1,110	0	0	970	1,110
Total General Receipts	277,316	193,824	0	0	277,316	193,824
Total Receipts	300,762	224,448	0	52,507	300,762	276,955
Disbursements:						
Salaries	125,530	114,251	0	6,238	125,530	120,489
Employee Fringe Benefits	94,569	42,899	0	2,314	94,569	45,213
Purchased and Contracted Services	83,667	61,538	0	22,562	83,667	84,100
Library Material and Information	0	726	0	11,330	0	12,056
Supplies	4,108	3,587	0	363	4,108	3,950
Other	490	630	0	0	490	630
Capital Outlay	339	2,923	0	0	339	2,923
Total Disbursements	308,703	226,554	0	42,807	308,703	269,361
Excess (Deficiency) Before Transfers	(7,941)	(2,106)	0	9,700	(7,941)	7,594
Transfers	0	26,986	0	(26,986)	0	0
Increase (Decrease) in Net Assets	(7,941)	24,880	0	(17,286)	(7,941)	7,594
Net Assets, January 1	129,180	104,300	0	17,286	129,180	121,586
Net Assets, December 31	\$121,239	\$129,180	\$0	\$0	\$121,239	\$129,180

Southeast Regional Library System
Management's Discussion and Analysis
June 30, 2007 and 2006 (Unaudited)

(Table 2 continued)

Changes in Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$30,624	\$38,135	\$52,507	\$111,199	\$83,131	\$149,334
Operating Grants and Contributions	0	13,750	0	0	0	13,750
Total Program Receipts	<u>30,624</u>	<u>51,885</u>	<u>52,507</u>	<u>111,199</u>	<u>83,131</u>	<u>163,084</u>
General Receipts:						
Intergovernmental	188,447	211,936	0	0	188,447	211,936
Interest	4,267	2,683	0	0	4,267	2,683
Miscellaneous	1,110	3,790	0	0	1,110	3,790
Total General Receipts	<u>193,824</u>	<u>218,409</u>	<u>0</u>	<u>0</u>	<u>193,824</u>	<u>218,409</u>
Total Receipts	<u>224,448</u>	<u>270,294</u>	<u>52,507</u>	<u>111,199</u>	<u>276,955</u>	<u>381,493</u>
Disbursements:						
Salaries	114,251	117,389	6,238	22,353	120,489	139,742
Employee Fringe Benefits	42,899	36,913	2,314	8,536	45,213	45,449
Purchased and Contracted Services	61,538	69,804	22,562	61,594	84,100	131,398
Library Material and Information	726	1,033	11,330	20,607	12,056	21,640
Supplies	3,587	14,205	363	428	3,950	14,633
Other	630	3,743	0	0	630	3,743
Capital Outlay	2,923	20,622	0	0	2,923	20,622
Total Disbursements	<u>226,554</u>	<u>263,709</u>	<u>42,807</u>	<u>113,518</u>	<u>269,361</u>	<u>377,227</u>
Excess (Deficiency) Before Transfers	(2,106)	6,585	9,700	(2,319)	7,594	4,266
Transfers	26,986	0	(26,986)	0	0	0
Increase (Decrease) in Net Assets	<u>24,880</u>	<u>6,585</u>	<u>(17,286)</u>	<u>(2,319)</u>	<u>7,594</u>	<u>4,266</u>
Net Assets, January 1	<u>104,300</u>	<u>97,716</u>	<u>17,286</u>	<u>19,605</u>	<u>121,586</u>	<u>117,321</u>
Net Assets, December 31	<u>\$129,180</u>	<u>\$104,301</u>	<u>\$0</u>	<u>\$17,286</u>	<u>\$129,180</u>	<u>\$121,587</u>

Program receipts represent 7.8 percent of total receipts for 2007 and 13.6 percent of the total receipts for 2006, and are comprised of restricted receipts such as charges for services.

General receipts represent 92.2 percent in 2007 and 86.4 percent in 2006 of the Library's total receipts, and of this amount, over 95 percent are intergovernmental receipts in 2007 and over 97 percent are intergovernmental receipts in 2006. Miscellaneous receipts, receipt from SOLO 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.

Governmental Activities

If you look at the Statement of Activities on pages 14 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 41 and 31 percent for 2007 and 50 and 19 percent for 2006 of all governmental disbursements, respectively. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the 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 2007	Net Cost of Services 2007
	2007	2007
Current		
Salaries	\$125,530	\$125,530
Employee Fringe Benefits	94,569	94,569
Purchased and Contract Services	83,667	61,779
Supplies	4,108	2,943
Other	490	97
Capital Outlay	339	339
Total Expenses	\$308,703	\$285,257

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006
	2006	2006
Current		
Salaries	\$114,251	\$114,251
Employee Fringe Benefits	42,899	42,899
Purchased and Contract Services	61,538	33,554
Library Materials and Information	726	(12)
Supplies	3,587	2,326
Other	630	(11)
Capital Outlay	2,923	2,923
Total Expenses	\$226,554	\$195,930

The dependence upon intergovernmental receipts is apparent as over 92 percent of governmental activities in 2007 and 86 percent of governmental activities in 2006 are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$300,762 and disbursements of \$308,703 for 2007. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$32,895 even though revenues were higher in 2007 than 2006. The decrease in fund balance was the result of a 2 year retirement buyout costing the library \$47,765.

Total governmental funds had receipts of \$251,434 and disbursements of \$226,554 for 2006. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$32,375 as the result of efforts to contain costs and careful spending and the transfer of the Books by Mail fund to the General Fund.

General Fund Budgeting Highlights

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

During 2007 and 2006, 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 in 2006. The large increase in 2007 was to budget for two grants not expected to be received in the original budget and for services provided to other entities.

Final disbursements were budgeted at \$154,390 while actual disbursements were \$83,246 in 2007, and final disbursements were budgeted at \$109,864 while actual disbursements were \$31,077 in 2006. The Library's spending was significantly less than budgeted. Budgeted expenditures did not change significantly 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, 2007, the Library has no outstanding debt.

Current Issues

As the preceding information shows, the Library heavily depends on intergovernmental monies. The Southeast Regional Library System (SERLS) formed July 1, 2006 when the State Library split the State of Ohio into four quadrants and made four Regional Libraries. SERLS is comprised of the former Ohio Valley Area Libraries (OVAL) and SOLO Regional Library System (SOLO). The assets of OVAL were transferred to SERLS and after all liabilities of SOLO were paid, the remaining balance of \$7,316 was remitted to SERLS as identified on the financial statements. The four newly formed Regional Libraries are a line item on the State Library of Ohio's budget. That line item plans to be frozen for 2007, 2008, and 2009 indicating State Library and Local Government Support Fund revenues for SERLS will not fluctuate in the next two years.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mandy Sabine, Clerk-Treasurer, Southeast Regional Library System, 252W 13th Street, Wellston, Ohio 45692, or e-mail at ctserls@oplin.org.

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Southeast Regional Library System, Jackson County

Statement of Net Assets - Cash Basis

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 121,239
<i>Total Assets</i>	<u>\$ 121,239</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 12,040
Other Purposes	35,856
Unrestricted	<u>73,343</u>
<i>Total Net Assets</i>	<u>\$ 121,239</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Activities - Cash Basis

For the Year Ended June 30, 2007

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Salaries	\$ 125,530	\$	\$ (125,530)
Employee Fringe Benefits	94,569		(94,569)
Purchased and Contracted Services	83,667	21,888	(61,779)
Supplies	4,108	1,165	(2,943)
Other	490	393	(97)
Capital Outlay	339		(339)
<i>Total Governmental Activities</i>	<u>\$ 308,703</u>	<u>\$ 23,446</u>	(285,257)
		General Receipts	
		Intergovernmental Revenue	263,610
		Interest	5,420
		Receipt from SOLO	7,316
		Miscellaneous	970
		<i>Total General Receipts</i>	277,316
		Change in Net Assets	(7,941)
		<i>Net Assets Beginning of Year</i>	129,180
		<i>Net Assets End of Year</i>	<u>\$ 121,239</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2007

	<u>General</u>	<u>Special Revenue State</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 73,343	\$ 35,856	\$ 12,040	\$ 121,239
<i>Total Assets</i>	<u>\$ 73,343</u>	<u>\$ 35,856</u>	<u>\$ 12,040</u>	<u>\$ 121,239</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 2,199	\$ 35,856	\$	\$ 38,055
Unreserved:				
Undesignated, Reported in:				
General Fund	71,144			71,144
Capital Projects Funds			12,040	12,040
<i>Total Fund Balances</i>	<u>\$ 73,343</u>	<u>\$ 35,856</u>	<u>\$ 12,040</u>	<u>\$ 121,239</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2007

	General	Special Revenue State	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$ 11,000	\$ 252,610	\$	\$ 263,610
Patron Fines and Fees	7,152			7,152
Services Provided to Other Entities	16,294			16,294
Earnings on Investments	5,420			5,420
Receipt from SOLO	7,316			7,316
Miscellaneous	970			970
<i>Total Receipts</i>	<u>48,152</u>	<u>252,610</u>	<u>0</u>	<u>300,762</u>
Disbursements				
Current:				
Salaries	114	125,416		125,530
Employee Fringe Benefits	51,721	42,848		94,569
Purchased & Contracted Services	27,270	55,648	749	83,667
Supplies	1,452	2,656		4,108
Other	490			490
Capital Outlay	0	339		339
<i>Total Disbursements</i>	<u>81,047</u>	<u>226,907</u>	<u>749</u>	<u>308,703</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,895)</u>	<u>25,703</u>	<u>(749)</u>	<u>(7,941)</u>
<i>Net Change in Fund Balances</i>	(32,895)	25,703	(749)	(7,941)
<i>Fund Balances Beginning of Year</i>	<u>106,238</u>	<u>10,153</u>	<u>12,789</u>	<u>129,180</u>
<i>Fund Balances End of Year</i>	<u>\$ 73,343</u>	<u>\$ 35,856</u>	<u>\$ 12,040</u>	<u>\$ 121,239</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 0	\$ 11,000	\$ 11,000	\$ 0
Patron Fines and Fees	2000	7152	7,152	0
Earnings on Investments	4000	5420	5,420	0
Services Provided to Other Entities	0	16294	16,294	0
Receipt from SOLO	7316	7316	7,316	0
Miscellaneous	0	970	970	0
<i>Total Receipts</i>	<u>13,316</u>	<u>48,152</u>	<u>48,152</u>	<u>0</u>
Disbursements				
Current:				
Salaries	13,104	23,104	114	22,990
Employee Fringe Benefits	42,123	51,821	51,721	100
Purchased and Contracted Services	26,503	46,899	29,469	17,430
Library Material and Information	1,300	900	0	900
Supplies	6,227	5,925	1,452	4,473
Other	480	490	490	0
Contingency	25,251	25,251	0	25,251
<i>Total Disbursements</i>	<u>114,988</u>	<u>154,390</u>	<u>83,246</u>	<u>71,144</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(101,672)</u>	<u>(106,238)</u>	<u>(35,094)</u>	<u>71,144</u>
<i>Fund Balance Beginning of Year</i>	105,773	105,773	105,773	0
Prior Year Encumbrances Appropriated	<u>465</u>	<u>465</u>	<u>465</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,566</u>	<u>\$ 0</u>	<u>\$ 71,144</u>	<u>\$ 71,144</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, 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, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 252,610	\$ 252,610	\$ 252,610	\$ 0
<i>Total Receipts</i>	<u>252,610</u>	<u>252,610</u>	<u>252,610</u>	<u>0</u>
Disbursements				
Current:				
Salaries	122,377	130,666	130,666	0
Employee Fringe Benefits	46,007	42,899	42,899	0
Purchased and Contracted Services	90,579	62,052	62,052	0
Supplies	3,800	7,416	7,416	0
Capital Outlay		19,730	19,730	0
<i>Total Disbursements</i>	<u>262,763</u>	<u>262,763</u>	<u>262,763</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,153)</u>	<u>(10,153)</u>	<u>(10,153)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>10,153</u>	<u>10,153</u>	<u>10,153</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Fund

June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 629</u>
<i>Total Assets</i>	<u>\$ 629</u>
Net Assets	
Unrestricted	<u>\$ 629</u>

See accompanying notes to the basic financial statements

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Southeast Regional Library System, Jackson County

Statement of Net Assets - Cash Basis

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 129,180
<i>Total Assets</i>	<u>\$ 129,180</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 12,789
Other Purposes	10,153
Unrestricted	<u>106,238</u>
<i>Total Net Assets</i>	<u>\$ 129,180</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Activities - Cash Basis
For the Year Ended June 30, 2006

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets Primary Government		Total
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Business-Type Activities	
Governmental Activities					
Salaries	\$ 114,251	\$	\$ (114,251)	\$	\$ (114,251)
Employee Fringe Benefits	42,899		(42,899)		(42,899)
Purchased and Contracted Services	61,538	27,984	(33,554)		(33,554)
Library Materials and Information	726	738	12		12
Supplies	3,587	1,261	(2,326)		(2,326)
Other	630	641	11		11
Capital Outlay	2,923		(2,923)		(2,923)
<i>Total Governmental Activities</i>	<u>226,554</u>	<u>30,624</u>	<u>(195,930)</u>	<u>-</u>	<u>(195,930)</u>
Business-Type Activities:					
Books by Mail Program	42,807	52,507	-	9,700	9,700
<i>Total Business Activities</i>	<u>42,807</u>	<u>52,507</u>	<u>-</u>	<u>9,700</u>	<u>9,700</u>
Totals	<u>\$ 269,361</u>	<u>\$ 83,131</u>	<u>(195,930)</u>	<u>9,700</u>	<u>(186,230)</u>
		General Receipts			
		Intergovernmental Revenue	188,447		\$188,447
		Interest	4,267		\$4,267
		Miscellaneous	1,110		\$1,110
		<i>Total General Receipts</i>	193,824	0	193,824
		<i>Transfer In/Out</i>	26,986	(26,986)	0
		Change in Net Assets	24,880	(17,286)	7,594
		<i>Net Assets Beginning of Year</i>	104,300	17,286	121,586
		<i>Net Assets End of Year</i>	<u>\$ 129,180</u>	<u>\$ 0</u>	<u>\$ 129,180</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2006

	<u>General</u>	<u>Special Revenue State</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 106,238	\$ 10,153	\$ 12,789	\$ 129,180
<i>Total Assets</i>	<u>\$ 106,238</u>	<u>\$ 10,153</u>	<u>\$ 12,789</u>	<u>\$ 129,180</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 465	\$ 10,153	\$	\$ 10,618
Unreserved:				
Undesignated, Reported in:				
General Fund	105,773			105,773
Capital Projects Funds			12,789	12,789
<i>Total Fund Balances</i>	<u>\$ 106,238</u>	<u>\$ 10,153</u>	<u>\$ 12,789</u>	<u>\$ 129,180</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2006

	General	Special Revenue State	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$	\$ 188,447	\$	\$ 188,447
Patron Fines and Fees	11,655			11,655
Services Provided to Other Entities	18,969			18,969
Earnings on Investments	4,267			4,267
Miscellaneous	1,110			1,110
<i>Total Receipts</i>	<u>36,001</u>	<u>188,447</u>	<u>0</u>	<u>224,448</u>
Disbursements				
Current:				
Salaries	500	113,751		114,251
Employee Fringe Benefits		42,899		42,899
Purchased & Contracted Services	27,516	30,714	3,308	61,538
Library Material & Information	726			726
Supplies	1,240	2,347		3,587
Other	630			630
Capital Outlay		2,923		2,923
<i>Total Disbursements</i>	<u>30,612</u>	<u>192,634</u>	<u>3,308</u>	<u>226,554</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,389</u>	<u>(4,187)</u>	<u>(3,308)</u>	<u>(2,106)</u>
Other Financing Sources (Uses)				
Transfer In	26,986	0	0	26,986
<i>Total Other Financing Sources (Uses)</i>	<u>26,986</u>	<u>0</u>	<u>0</u>	<u>26,986</u>
<i>Net Change in Fund Balances</i>	32,375	(4,187)	(3,308)	24,880
<i>Fund Balances Beginning of Year</i>	<u>73,863</u>	<u>14,340</u>	<u>16,097</u>	<u>104,300</u>
<i>Fund Balances End of Year</i>	<u>\$ 106,238</u>	<u>\$ 10,153</u>	<u>\$ 12,789</u>	<u>\$ 129,180</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Patron Fines and Fees	\$ 10,574	\$ 11,655	\$ 11,655	\$ 0
Earnings on Investments	1,500	4,267	4,267	0
Services Provided to Other Entities	16,378	18,969	18,969	0
Miscellaneous	1,000	1,110	1,110	0
<i>Total Receipts</i>	<u>29,452</u>	<u>36,001</u>	<u>36,001</u>	<u>0</u>
Disbursements				
Current:				
Salaries	4,000	4,000	614	3,386
Employee Fringe Benefits	526	5,999		5,999
Purchased and Contracted Services	63,553	64,509	27,516	36,993
Library Material and Information	922	1,042	726	316
Supplies	7,953	7,953	1,591	6,362
Other	1,110	1,110	630	480
Contingency	25,251	25,251		25,251
<i>Total Disbursements</i>	<u>103,315</u>	<u>109,864</u>	<u>31,077</u>	<u>78,787</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,863)</u>	<u>(73,863)</u>	<u>4,924</u>	<u>78,787</u>
Other Financing Sources (Uses)				
Transfers In			26,986	26,986
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>26,986</u>	<u>26,986</u>
<i>Net Change in Fund Balance</i>	(73,863)	(73,863)	31,910	105,773
<i>Fund Balance Beginning of Year</i>	68,819	68,819	68,819	0
Prior Year Encumbrances Appropriated	5,044	5,044	5,044	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,773</u>	<u>\$ 105,773</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, 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, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 188,447	\$ 188,447	\$ 188,447	\$ 0
<i>Total Receipts</i>	<u>188,447</u>	<u>188,447</u>	<u>188,447</u>	<u>0</u>
Disbursements				
Current:				
Salaries	115,446	123,127	123,127	0
Employee Fringe Benefits	46,860	43,183	43,183	0
Purchased and Contracted Services	38,190	31,207	31,207	0
Supplies	2,291	2,347	2,347	0
Capital Outlay		2,923	2,923	0
<i>Total Disbursements</i>	<u>202,787</u>	<u>202,787</u>	<u>202,787</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,340)</u>	<u>(14,340)</u>	<u>(14,340)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	(805)	(805)	(805)	0
Prior Year Encumbrances Appropriated	<u>15,145</u>	<u>15,145</u>	<u>15,145</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Year Ended June 30, 2006*

	Books by Mail Fund
Operating Receipts	
Services Provided to Other Entities	\$ 52,507
<i>Total Operating Receipts</i>	52,507
 Operating Disbursements	
Salaries	6,238
Employee Fringe Benefits	2,314
Purchased and Contracted Services	22,562
Library Materials and Information	11,330
Supplies	363
<i>Total Operating Disbursements</i>	42,807
 <i>Income (Loss) before Transfers and Advances</i>	9,700
 <i>Transfer Out</i>	(26,986)
 <i>Change in Net Assets</i>	(17,286)
 <i>Net Assets Beginning of Year</i>	17,286
 <i>Net Assets End of Year</i>	\$ 0

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 928</u>
<i>Total Assets</i>	<u><u>\$ 928</u></u>
Net Assets	
Unrestricted	<u><u>\$ 928</u></u>

See accompanying notes to the basic financial statements

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 1 – Description Of The Library And Reporting Entity

The Southeast Regional Library System, 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.

SERLS was formed July 1, 2006 when the State Library split the State of Ohio into four quadrants and made four Regional Libraries. SERLS is comprised of the former Ohio Valley Area Libraries (OVAL) and SOLO Regional Library System (SOLO). The assets of OVAL were transferred to SERLS and after all liabilities of SOLO were paid, the remaining balance of \$7,316 was remitted to SERLS as identified on the financial statements. Along with this reorganization, the Books by Mail program, the Library's only business-type activity, was discontinued effective June 30, 2006.

The Library is composed of libraries in the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington, and derives its power from Ohio Rev. Code § 3375.90, and other relevant sections.

The Board of Trustees consists of up to fifteen appointed members. Public libraries (maximum of 12 seats) board members will be comprised of pay members and rotational by alphabetical order of legal library name with the seats divided equally between three size categories (small, medium, large) determined by FTE's using the most current statistical report provided by the State Library of Ohio. The initial start-up terms will be staggered for one, two, and three years, then after the third year of existence all terms will be for three years. 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 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements 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 cash basis of accounting, unless those pronouncements conflict with or

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 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.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

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.

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.

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. This program was discontinued effective June 30, 2006.

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.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 – 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 cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

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

	General Fund	Special Revenue State Fund
June 30, 2007:		
Budgetary Basis Fund Balance	\$ 71,144	\$ 0
Encumbrances	<u>2,199</u>	<u>35,856</u>
Fund Cash Balance	\$ 73,343	\$ 35,856
June 30, 2006:		
Budgetary Basis Fund Balance	\$ 105,773	\$ 0
Encumbrances	<u>465</u>	<u>10,153</u>
Fund Cash Balance	\$ 106,238	\$ 10,153

Note 4 - 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.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 4 - Deposits and Investments (Continued)

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;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

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."

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 4 - Deposits and Investments (Continued)

At June 30, 2007, the carrying amount of the Library's deposits was \$121,868 and the bank balance was \$132,707. Of the bank balance \$100,000 was covered by federal depository insurance and \$32,707 was uninsured and uncollateralized. At June 30, 2006, the carrying amount of the Library's deposits was \$130,108 and the bank balance was \$145,747. Of the bank balance \$100,000 was covered by federal depository insurance and \$45,747 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 5 - Risk Management

Commercial Insurance

The Southeast Regional Library System has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- 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.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 percent. This is up from 8.5 percent for members and 13.55 percent for the year ended December 31, 2005. For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2007, 2006, and 2005 were \$15,944, \$20,437 and \$15,488 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

Note 7 – Postemployment Benefits

Ohio Public Employees Retirement System

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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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



Mary Taylor, CPA

Auditor of State

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

Southeast Regional Library System
Jackson County
252 W. 13th Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 4, 2008, wherein we noted the Library was reorganized on July 1, 2006 into the Southeast Regional Library System by combining the Ohio Valley Area Libraries and SOLO Regional Library System. We also noted the Books by Mail program was discontinued effective June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

February 4, 2008



Mary Taylor, CPA
Auditor of State

SOUTHEAST REGIONAL LIBRARY SYSTEM

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
MARCH 6, 2008**