



**OHIO VALLEY AREA LIBRARIES
JACKSON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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 (OVAL), Jackson County, Ohio, as of and for the year ended June 30, 1999. These financial statements are the responsibility of OVAL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described Note 1, OVAL 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 of Ohio Valley Area Libraries, Jackson County, as of June 30, 1999, and its combined cash receipts and cash 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 December 28, 1999, on our consideration of the OVAL's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 28, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Federal Grants-in-Aid	\$ 0	\$ 264,150	\$ 0	\$264,150
State Grants-in-Aid	0	332,478	0	332,478
Patron Fines and Fees	346	0	0	346
Interest and Investments	11,166	0	0	11,166
Services Provided Other Entities	800	230,000	0	230,800
Miscellaneous	<u>10,044</u>	<u>0</u>	<u>0</u>	<u>10,044</u>
Total Cash Receipts	<u>22,356</u>	<u>826,628</u>	<u>0</u>	<u>848,984</u>
Cash Disbursements:				
Salaries and Benefits	0	307,284	0	307,284
Supplies	103	33,823	0	33,926
Purchases Contracted Services	16,004	304,412	50	320,466
Library Supplies and Information	1,812	87,408	0	89,220
Capital Outlay	4,420	81,319	0	85,739
Other Objects	<u>650</u>	<u>1,400</u>	<u>0</u>	<u>2,050</u>
Total Cash Disbursements	<u>22,989</u>	<u>815,646</u>	<u>50</u>	<u>838,685</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>(633)</u>	<u>10,982</u>	<u>(50)</u>	<u>10,299</u>
Other Financing Sources/(Uses):				
Transfers-In	<u>25,909</u>	<u>0</u>	<u>20,000</u>	<u>45,909</u>
Total Other Financing Sources/(Uses)	<u>25,909</u>	<u>0</u>	<u>20,000</u>	<u>45,909</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	25,276	10,982	19,950	56,208
Fund Cash Balances, July 1	<u>26,921</u>	<u>81,663</u>	<u>28,713</u>	<u>137,297</u>
Fund Cash Balances, June 30	<u>\$52,197</u>	<u>\$92,645</u>	<u>\$48,663</u>	<u>\$193,505</u>

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

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
AND SIMILAR FIDUCIARY FUND -
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Services Provide Other Entities	\$ 63,718	\$155,319	\$219,037
Total Operating Cash Receipts	<u>63,718</u>	<u>155,319</u>	<u>219,037</u>
Operating Cash Disbursements:			
Supplies	0	413	413
Purchased and Contracted Services	9,590	25,687	35,277
Library Materials and Information	3,612	0	3,612
Other Objects	<u>0</u>	<u>112,133</u>	<u>112,133</u>
Total Operating Cash Disbursements	<u>13,202</u>	<u>138,233</u>	<u>151,435</u>
Operating Income(Loss)	<u>50,516</u>	<u>17,086</u>	<u>67,602</u>
Transfers-Out	<u>(45,909)</u>	<u>0</u>	<u>(45,909)</u>
Net Income/(Loss)	4,607	17,086	21,693
Fund Cash Balances, July 1	<u>67,287</u>	<u>29</u>	<u>67,316</u>
Fund Cash Balances, June 30	<u>\$71,894</u>	<u>\$17,115</u>	<u>\$89,009</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ohio Valley Area Libraries (OVAL), is an area library service organization created and governed according to the provisions of Ohio Rev. Code §§ 3375.70 through § 3375.73. OVAL 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 § 3375.72, an area library service organization is subject to the record keeping procedures prescribed by the Auditor of State and is subject to audit.

OVAL 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 § 3375.71, and other relevant sections..

The Board of Trustees of each member library shall elect one of its Trustees to OVAL's Board of Trustees, for a two-year term, arranged so that half of the terms expire each year.

Management believes the financial statements included in this report represent all of the funds of OVAL over which OVAL has the ability to exercise direct operating control.

B. Basis of Accounting

OVAL prepares its financial statements on 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 a payment is made rather than when a liability is incurred.

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

C. Cash and Investments

Money market accounts are valued at cost.

D. Fund Accounting

OVAL maintains its accounting records in accordance with principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

General Fund

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

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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. OVAL had the following significant Special Revenue Funds:

State Library Fund - This fund received money from the State for operating expenses of OVAL.

Federal Library Fund - This fund received money from the federal government for operating expenses of OVAL.

Capital Projects Fund

These funds are used to account for proceeds to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). OVAL had the following significant Capital Projects Fund:

Building Fund - This fund received money for grounds improvements.

Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing goods and services to the general public on a continuing basis will be recovered primarily through user charges. OVAL 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 OVAL.

Fiduciary Funds

Funds for which OVAL is acting in an agency capacity are classified as Agency Funds. OVAL 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. 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.

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are reflected as liabilities under the cash basis of accounting used by OVAL.

2 EQUITY IN POOLED CASH

OVAL maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>1999</u>
Demand deposits	<u>\$282,514</u>

Deposits:

Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to OVAL.

3. RISK MANAGEMENT

OVAL maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

4. RETIREMENT SYSTEMS

OVAL's 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 post-retirement 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 1999, PERS members contributed 8.5% of their gross salaries. OVAL contributed an amount equal to 13.55 % of participants' gross salaries. OVAL has paid all contributions required through June 30, 1999.

5. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

Employees of OVAL may elect to participate in the Ohio Public Employees Deferred Compensation Program. Under this program, employees elect to have a portion of their pay deferred until future time, usually after retirement. The deferred pay and any income earned on it is not subject to income taxation until actually received by the employee. As of June 30, 1999, funds on deposit with the Ohio Public Employees Deferred Compensation Board totaled \$48,795. Under the terms of the deferred compensation plan agreement, these funds are the property of OVAL, although this amount is not reflected in the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 1999
(Continued)

5. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM (Continued)

Also not reflected in such statements is a liability to the employees participating in the plan, equal in amount to the fund on deposit. Participating employees are general creditors of the employer with no preferential claim to the deferred funds.

6. LEASE PURCHASE AGREEMENTS

Lease-purchase agreements outstanding at June 30, 1999, including principal and interest, where applicable, were as follows:

<u>Provider</u>	<u>Purpose</u>	<u>Amount</u>
Arthur Alan Corporation	Building/Office Space	\$228,953

7. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

OVAL has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting OVAL operations:

The Library contracts with Government Services Incorporated for its financial operations. The software version in place at the Library is deemed Year 2000 compliant. The Library should not have to remediate any element of the system.

The State of Ohio distributes a substantial sum of money to the Library in the form of local government library assistance. The State is responsible for remediating this system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that OVAL is or will be Year 2000 ready, that OVAL's remediation efforts will be successful in whole or in part, or that parties with whom OVAL does business will be Year 2000 ready.



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**REPORT OF INDEPENDENT ACCOUNTANTS 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 financial statements of Ohio Valley Area Libraries (OVAL), Jackson County, Ohio, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 28, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Ohio Valley Area Libraries' 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 Ohio Valley Area 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 28, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OHIO VALLEY AREA LIBRARIES

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2000**