

GALLIA COUNTY DISTRICT LIBRARY

Gallia County

Regular Audit

January 1, 2003 through December 31, 2004

Fiscal Years Audited Under GAGAS: 2003 - 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

**CERTIFIED PUBLIC ACCOUNTANTS
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**Auditor of State
Betty Montgomery**

Board of Trustees
Gallia County District Library
7 Spruce Street
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditor's Report* of the Gallia County District Library, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2003 through 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 Gallia County District 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 15, 2005

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**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Gallia County District Library
7 Spruce Street
Gallipolis, Ohio 45631

We have audited the accompanying financial statements of the Gallia County District Library, Gallia 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.

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. 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.

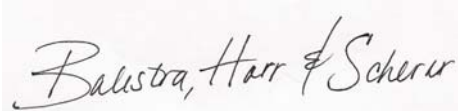
Revisions to GAAP require the Library to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the funds accompanying financial statements presented for 2004 (and 2003), the revisions require presenting entity wide statements and 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 the 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 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library's combined funds 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 of the Gallia County District Library, Gallia County, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years 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 year 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 1, 2005, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 1, 2005

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Totals</u> |
|--|--------------------------------|-----------------------------|--------------------------------|------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Expendable Trust</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$118,790 | \$0 | \$0 | \$118,790 |
| Library and Local Government Support | 1,179,719 | - | - | 1,179,719 |
| Intergovernmental | 61,547 | 10,000 | - | 71,547 |
| Patrons Fines and Fees | 50,638 | - | - | 50,638 |
| Contributions, Gifts and Donations | 9,094 | - | - | 9,094 |
| Earnings on Investments | 28,121 | 7,264 | 100 | 35,485 |
| Miscellaneous | 348 | - | - | 348 |
| | <u>1,448,257</u> | <u>17,264</u> | <u>100</u> | <u>1,465,621</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries | 704,321 | - | - | 704,321 |
| Employee Fringe Benefits | 210,550 | - | - | 210,550 |
| Purchased and Contracted Services | 143,812 | 24,067 | - | 167,879 |
| Library Materials and Information | 248,757 | 2,534 | - | 251,291 |
| Supplies | 37,074 | - | - | 37,074 |
| Other | 13,976 | - | - | 13,976 |
| Capital Outlay | 35,868 | 3,000 | - | 38,868 |
| | <u>1,394,358</u> | <u>29,601</u> | <u>-</u> | <u>1,423,959</u> |
| Total Cash Disbursements | <u>1,394,358</u> | <u>29,601</u> | <u>-</u> | <u>1,423,959</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>53,899</u> | <u>(12,337)</u> | <u>100</u> | <u>41,662</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers In | - | 250,000 | - | 250,000 |
| Transfers Out | (250,000) | - | - | (250,000) |
| | <u>(250,000)</u> | <u>250,000</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Receipts/(Disbursements) | <u>(250,000)</u> | <u>250,000</u> | <u>-</u> | <u>-</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements | <u>(196,101)</u> | <u>237,663</u> | <u>100</u> | <u>41,662</u> |
| Fund Cash Balances, January 1 | <u>631,367</u> | <u>583,843</u> | <u>31,641</u> | <u>1,246,851</u> |
| Fund Cash Balances, December 31 | <u><u>\$435,266</u></u> | <u><u>\$821,506</u></u> | <u><u>\$31,741</u></u> | <u><u>\$1,288,513</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$109,555</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$109,555</u></u> |

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

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003**

| | <u>Governmental Fund Types</u> | | <u>Fiduciary</u> | <u>Totals</u> |
|---|--------------------------------|-----------------------------|---|------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Fund Type Expendable Trust</u> | <u>(Memorandum Only)</u> |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$127,545 | \$0 | \$0 | \$127,545 |
| Library and Local Government Support | 1,172,377 | - | - | 1,172,377 |
| Intergovernmental | 91,380 | 19,000 | - | 110,380 |
| Patrons Fines and Fees | 52,281 | - | - | 52,281 |
| Contributions, Gifts and Donations | 6,171 | - | 2,496 | 8,667 |
| Earnings on Investments | 30,518 | 6,265 | 86 | 36,869 |
| Miscellaneous | 2,288 | - | - | 2,288 |
| | <u>1,482,560</u> | <u>25,265</u> | <u>2,582</u> | <u>1,510,407</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries | 697,633 | - | - | 697,633 |
| Employee Fringe Benefits | 207,301 | - | - | 207,301 |
| Purchased and Contracted Services | 175,735 | - | - | 175,735 |
| Library Materials and Information | 198,806 | 130 | 773 | 199,709 |
| Supplies | 41,416 | - | - | 41,416 |
| Other | 11,424 | - | - | 11,424 |
| Capital Outlay | 12,211 | 60,981 | 374 | 73,566 |
| | <u>1,344,526</u> | <u>61,111</u> | <u>1,147</u> | <u>1,406,784</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>138,034</u> | <u>(35,846)</u> | <u>1,435</u> | <u>103,623</u> |
| Fund Cash Balance, January 1 | <u>493,333</u> | <u>619,689</u> | <u>30,206</u> | <u>1,143,228</u> |
| Fund Cash Balance, December 31 | <u><u>\$631,367</u></u> | <u><u>\$583,843</u></u> | <u><u>\$31,641</u></u> | <u><u>\$1,246,851</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$77,844</u></u> | <u><u>\$11,090</u></u> | <u><u>\$0</u></u> | <u><u>\$88,934</u></u> |

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

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Gallia County District Library, Gallia 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 the State of Ohio. The Library is directed by an appointed seven-member Board of Trustees. The Library provides the community with various educational and literary resources.

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 in Note 3 report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Cash accounts are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following Capital Projects Funds:

Technology Fund - This fund receives monies for new computer equipment and services.

Bookmobile Fund - This fund receives monies for the purchase of a new bookmobile.

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. The Library had the following Fiduciary Fund:

Endowment Fund – This fund accounts for monies which were donated to the Library. The Trust Fund is classified as an Expendable Trust Fund.

E. Total Columns on Financial Statements

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

F. Budgetary Process

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

G. 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.

H. Accumulated Leave

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

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | 2004 | 2003 |
|--------------------------------|--------------|--------------|
| Demand deposits | \$ 8,773 | \$ 42,788 |
| Petty Cash | 160 | 160 |
| Total deposits | 8,933 | 42,948 |
| | | |
| Investments - STAR Ohio | 1,279,580 | 1,203,903 |
| | | |
| Total Deposits and Investments | \$ 1,288,513 | \$ 1,246,851 |

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

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and December 31, 2003 was as follows:

2004 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|----------|
| General | \$1,416,411 | \$1,448,257 | \$31,846 |
| Capital Projects | 260,000 | 267,264 | 7,264 |
| Fiduciary | 0 | 100 | 100 |
| Total | \$1,676,411 | \$1,715,621 | \$39,210 |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|-------------|
| General | \$2,531,289 | \$1,753,913 | \$777,376 |
| Capital Projects | 626,933 | 29,601 | 597,332 |
| Fiduciary | 31,642 | 0 | 31,642 |
| Total | \$3,189,864 | \$1,783,514 | \$1,406,350 |

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,475,406 | \$1,482,560 | \$7,154 |
| Capital Projects | 19,000 | 25,265 | 6,265 |
| Fiduciary | 2,000 | 2,582 | 582 |
| Total | \$1,496,406 | \$1,510,407 | \$14,001 |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,057,500 | \$1,422,370 | \$635,130 |
| Capital Projects | 770,403 | 72,201 | 698,202 |
| Fiduciary | 34,443 | 1,147 | 33,296 |
| Total | \$ 2,862,346 | \$ 1,495,718 | \$ 1,366,628 |

4. GRANTS-IN-AID AND TAX RECEIPTS

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.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**GALLIA COUNTY DISTRICT LIBRARY
GALLIA COUNTY**

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

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries. The Library has paid all employer contributions required through December 31, 2004 and 2003.

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

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

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Ohio Society of Certified Public

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

Board of Trustees
Gallia County District Library
7 Spruce Street
Gallipolis, Ohio 45631

We have audited the financial statements of the Gallia County District Library, Gallia County, Ohio (the Library), as of and for the years ended December 31, 2004 and 2003 and have issued our report thereon dated August 1, 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.

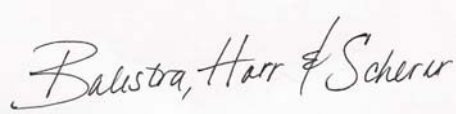
Compliance and Other Matters

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 that are required to be reported under *Government Auditing Standards*.

However, we noted other matters that we have communicated to the Library in a letter dated August 1, 2005.

Gallia County District Library
Gallia County
Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*
Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.

August 1, 2005



**Auditor of State
Betty Montgomery**

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GALLIA COUNTY DISTRICT LIBRARY

GALLIA 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 29, 2005**