



**Auditor of State
Betty Montgomery**

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY
TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements for December 31, 2005:	
Government-Wide Financial Statements:	
Statement of Net Assets - Modified Cash Basis	11
Statement of Activities – Modified Cash Basis	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Cash Balances – Governmental Funds	13
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Fund Balances – Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund	15
Basic Financial Statements for December 31, 2004:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis	17
Statement of Activities – Modified Cash Basis	18
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Cash Balances – Governmental Funds	19
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Fund Balances – Governmental Funds	20
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund	21
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	33

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sylvester Memorial Wellston Public Library
Jackson County
135 East Second Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sylvester Memorial Wellston Public Library, Jackson County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and each major fund of the Sylvester Memorial Wellston Public Library, Jackson County, Ohio, as of December 31, 2005 and 2004 and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, 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.

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.



Betty Montgomery
Auditor of State

May 5, 2006

This discussion and analysis of the Sylvester Memorial Wellston Public Library financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Library's modified 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 2005 are as follows:

Net assets of governmental activities increased \$4,633, or .3 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 88 percent of the total cash received for governmental activities during the year.

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$28,968, or 1.8 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 respectively 89 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 modified 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified 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 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program 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 modified 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 one type 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.

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.

Governmental Funds - All 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 Library's major governmental funds are the General Fund and the Permanent Improvement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2005 compared to 2004, and 2004 compared to the prior year on a modified cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$1,472,698	\$1,462,810
Investments	152,077	157,332
Total Assets	\$1,624,775	\$1,620,142

Net Assets

Restricted for:		
Capital Projects	\$1,444,648	\$1,448,084
Unrestricted	180,127	172,058
Total Net Assets	\$1,624,775	\$1,620,142

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$1,462,810	\$1,493,766
Investments	157,332	155,344
Total Assets	\$1,620,142	\$1,649,110

Net Assets

Restricted for:		
Capital Projects	\$1,448,084	\$1,468,362
Other Purposes		
Unrestricted	172,058	180,748
Total Net Assets	1,620,142	1,649,110

As mentioned previously, total net assets of activities increased \$4,633 or .3 percent during 2005, and decreased \$28,968 or 1.8 percent during 2004.

Sylvester Memorial Wellston Public Library
Management's Discussion and Analysis
December 31, 2005 and 2004 (Unaudited)

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented for 2004 compared to 2003.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$11,578	\$11,342
Total Program Receipts	<u>11,578</u>	<u>11,342</u>
General Receipts:		
Intergovernmental	442,518	440,170
Unrestricted Gifts and Contributions	3,834	8,898
Interest	41,596	33,718
Miscellaneous	3,232	1,393
Total General Receipts	<u>491,180</u>	<u>484,179</u>
Total Receipts	<u>502,758</u>	<u>495,521</u>
Disbursements:		
Salaries	268,857	261,746
Employee Fringe Benefits	96,760	92,738
Purchased and Contracted Services	41,411	49,372
Library Material and Information	34,653	40,196
Supplies	12,559	15,040
Other	50	1,155
Capital Outlay	43,835	64,242
Total Disbursements	<u>498,125</u>	<u>524,489</u>
Increase (Decrease) in Net Assets	4,633	(28,968)
Net Assets, January 1, 2004	<u>1,620,142</u>	<u>1,649,110</u>
Net Assets, December 31, 2004	<u>\$1,624,775</u>	<u>\$1,620,142</u>

Program receipts represent 2 percent of total receipts for 2005 and 2 percent of the total receipts for 2004, and are comprised of charges for service.

General receipts represent 98 percent in 2005 and 98% in 2004 of the Library's total receipts, and of this amount, over 88 percent are intergovernmental receipts in 2005 and 2004. Miscellaneous receipts, unrestricted gifts and interest make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Governmental Activities

If you look at the Statement of Activities on pages 12 and 18, 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 54 and 19 percent for 2005 and 50 and 18 percent for 2004 of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by

Sylvester Memorial Wellston Public Library
Management's Discussion and Analysis
December 31, 2005 and 2004 (Unaudited)

the Library that must be used to provide a specific service. The Net (Disbursements) Receipts 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 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
Current		
Salaries	\$268,857	\$262,005
Employee Fringe Benefits	96,760	94,294
Purchased and Contract Services	41,411	40,356
Library Materials and Information	34,653	33,770
Supplies	12,559	12,239
Other	50	48
Capital Outlay	43,835	43,835
Total Expenses	<u>\$498,125</u>	<u>\$486,547</u>

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Current		
Salaries	\$261,746	\$255,363
Employee Fringe Benefits	92,738	90,476
Purchased and Contract Services	49,372	48,168
Library Materials and Information	40,196	39,216
Supplies	15,040	14,673
Other	1,155	1,127
Capital Outlay	64,242	64,124
Total Expenses	<u>\$524,489</u>	<u>\$513,147</u>

The dependence upon intergovernmental receipts is apparent as over 88 percent of governmental activities in 2005 and 84 percent of governmental activities in 2004 are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$502,758 and disbursements of \$498,125 for 2005. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$8,069 as the result of efforts to contain costs and careful spending to compensate for the stagnancy of receipts from the Library and Local Government Support Fund (LLGSF).

Total governmental funds had receipts of \$495,521 and disbursements of \$524,489 for 2004. The greatest change within governmental funds occurred within the Permanent Improvement Fund. The fund balance of the Permanent Improvement Fund decreased \$20,278 as the result of several capital outlay expenditures.

General Fund receipts were more than disbursements by \$8,069 indicating that efforts to contain cost, and limit expenses were successful in 2005, and General Fund receipts were less than disbursements by \$8,690 indicating that efforts to contain cost, and limit expenses were not successful in 2004.

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 2005 and 2004, the Library did not amend its General Fund budget during the year. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$644,233 while actual disbursements were \$458,383 in 2005, and final disbursements were budgeted at \$634,186 while actual disbursements were \$469,967 in 2004. Although receipts failed to live up to expectations in 2005, appropriations were not reduced. The Library kept spending very close to budgeted amounts 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 December 31, 2005, the Library has no outstanding debt.

Current Issues

As the preceding information shows, the Library heavily depends on intergovernmental monies. With the Local Government Support Fund being frozen at the 2004 level for the calendar year 2005, and a cut by 5 percent each month for the calendar year 2006 as well as the first six months of calendar year 2007, the Library will be faced with making changes over the next several years to contain costs and determine what other options are available to the Library to increase financial resources.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Anita McManus, Clerk-Treasurer, Sylvester Memorial Wellston Public Library, 135 East Second Street, Wellston, Ohio 45692.

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Slyvester Memorial Wellston Public Library, Jackson County

Statement of Net Assets - Modified Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,472,698
Investments	<u>152,077</u>
<i>Total Assets</i>	<u><u>\$1,624,775</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,444,648
Unrestricted	<u>180,127</u>
<i>Total Net Assets</i>	<u><u>\$1,624,775</u></u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities				
Current				
Salaries	\$268,857	\$6,852		(\$262,005)
Employee Fringe Benefits	96,760	2,466		(94,294)
Purchased and Contract Services	41,411	1,055		(40,356)
Library Materials and Information	34,653	883		(33,770)
Supplies	12,559	320		(12,239)
Other	50	2		(48)
Capital Outlay	43,835			(43,835)
<i>Total Governmental Activities</i>	<u>\$498,125</u>	<u>\$11,578</u>	<u>\$0</u>	<u>(\$486,547)</u>
		General Receipts		
		Intergovernmental		442,518
		Unrestricted Gifts and Contributions		3,834
		Interest		41,596
		Miscellaneous		3,232
		<i>Total General Receipts</i>		<u>491,180</u>
		Change in Net Assets		4,633
		<i>Net Assets Beginning of Year</i>		<u>1,620,142</u>
		<i>Net Assets End of Year</i>		<u>\$1,624,775</u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Permanent Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$180,127	\$1,292,571	\$1,472,698
Investments	0	152,077	152,077
<i>Total Assets</i>	<u>\$180,127</u>	<u>\$1,444,648</u>	<u>\$1,624,775</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$4,093		\$4,093
Unreserved:			
Undesignated, Reported in:			
General Fund	176,034		176,034
Capital Projects Funds		1,444,648	1,444,648
<i>Total Fund Balances</i>	<u>\$180,127</u>	<u>\$1,444,648</u>	<u>\$1,624,775</u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Permanent Improvement Fund	Total Governmental Funds
Receipts			
Intergovernmental	\$442,518	\$	\$442,518
Patron Fines and Fees	11,578		11,578
Contributions, Gifts and Donations	1,380	2,454	3,834
Earnings on Investments	3,651	37,945	41,596
Miscellaneous	3,232		3,232
<i>Total Receipts</i>	<u>462,359</u>	<u>40,399</u>	<u>502,758</u>
Disbursements			
Current:			
Salaries	268,857		268,857
Employee Fringe Benefits	96,760		96,760
Purchased & Contracted Services	41,411		41,411
Library Material & Information	34,653		34,653
Supplies	12,559		12,559
Other	50		50
Capital Outlay	0	43,835	43,835
<i>Total Disbursements</i>	<u>454,290</u>	<u>43,835</u>	<u>498,125</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,069</u>	<u>(3,436)</u>	<u>4,633</u>
<i>Fund Balances Beginning of Year</i>	<u>172,058</u>	<u>1,448,084</u>	<u>1,620,142</u>
<i>Fund Balances End of Year</i>	<u><u>\$180,127</u></u>	<u><u>\$1,444,648</u></u>	<u><u>\$1,624,775</u></u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$458,874	\$458,874	\$442,517	(\$16,357)
Patron Fines and Fees	9,000	9,000	11,578	2,578
Contributions, Gifts and Donations	500	500	1,380	880
Earnings on Investments	2,800	2,800	3,651	851
Miscellaneous	1,000	1,000	3,232	2,232
<i>Total receipts</i>	<u>472,174</u>	<u>472,174</u>	<u>462,358</u>	<u>(9,816)</u>
Disbursements				
Current:				
Salaries	281,301	281,301	268,857	12,444
Employee Fringe Benefits	103,000	103,000	96,760	6,240
Purchased and Contracted Services	72,712	72,712	41,462	31,250
Library Material and Information	137,063	137,063	38,568	98,495
Supplies	19,657	19,657	12,686	6,971
Other	2,500	2,500	50	2,450
Contigencies	8,000	8,000	0	8,000
Capital Outlay	20,000	20,000	0	20,000
<i>Total Disbursements</i>	<u>644,233</u>	<u>644,233</u>	<u>458,383</u>	<u>185,850</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(172,059)</u>	<u>(172,059)</u>	<u>3,975</u>	<u>176,034</u>
<i>Fund Balance Beginning of Year</i>	167,170	167,170	167,170	0
Prior Year Encumbrances Appropriated	4,889	4,889	4,889	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$176,034</u>	<u>\$176,034</u>

See accompanying notes to the basic financial statements

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Slyvester Memorial Wellston Public Library, Jackson County

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,462,810
Investments	<u>157,332</u>
<i>Total Assets</i>	<u><u>\$1,620,142</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,448,084
Unrestricted	<u>172,058</u>
<i>Total Net Assets</i>	<u><u>\$1,620,142</u></u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities				
Current				
Salaries	\$261,746	\$6,383		(\$255,363)
Employee Fringe Benefits	92,738	2,262		(90,476)
Purchased and Contract Services	49,372	1,204		(48,168)
Library Materials and Information	40,196	980		(39,216)
Supplies	15,040	367		(14,673)
Other	1,155	28		(1,127)
Capital Outlay	64,242	118		(64,124)
<i>Total Governmental Activities</i>	<u>\$524,489</u>	<u>\$11,342</u>	<u>\$0</u>	<u>\$0</u>
		General Receipts		
		Intergovernmental		440,170
		Unrestricted Gifts and Contributions		8,898
		Interest		33,718
		Miscellaneous		1,393
		<i>Total General Receipts</i>		<u>484,179</u>
		Change in Net Assets		(28,968)
		<i>Net Assets Beginning of Year</i>		<u>1,649,110</u>
		<i>Net Assets End of Year</i>		<u>\$1,620,142</u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$172,058	\$1,290,752	\$1,462,810
Investments	0	157,332	157,332
<i>Total Assets</i>	<u>\$172,058</u>	<u>\$1,448,084</u>	<u>\$1,620,142</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$4,889	\$37,306	\$42,195
Unreserved:			
Undesignated, Reported in:			
General Fund	167,169		167,169
Capital Projects Funds		1,410,778	1,410,778
<i>Total Fund Balances</i>	<u>\$172,058</u>	<u>\$1,448,084</u>	<u>\$1,620,142</u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Permanent Improvement Fund	Total Governmental Funds
Receipts			
Intergovernmental	\$440,170	\$	\$440,170
Patron Fines and Fees	11,342		11,342
Contributions, Gifts and Donations	490	8,408	8,898
Earnings on Investments	2,993	30,725	33,718
Miscellaneous	1,393		1,393
<i>Total Receipts</i>	<u>456,388</u>	<u>39,133</u>	<u>495,521</u>
Disbursements			
Current:			
Salaries	261,746		261,746
Employee Fringe Benefits	92,738		92,738
Purchased & Contracted Services	49,372		49,372
Library Material & Information	40,196		40,196
Supplies	15,040		15,040
Other	1,155		1,155
Capital Outlay	4,831	59,411	64,242
<i>Total Disbursements</i>	<u>465,078</u>	<u>59,411</u>	<u>524,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,690)</u>	<u>(20,278)</u>	<u>(28,968)</u>
<i>Fund Balances Beginning of Year</i>	<u>180,748</u>	<u>1,468,362</u>	<u>1,649,110</u>
<i>Fund Balances End of Year</i>	<u>\$172,058</u>	<u>\$1,448,084</u>	<u>\$1,620,142</u>

See accompanying notes to the basic financial statements

Sylvester Memorial Wellston Public Library, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$439,438	\$439,438	\$440,170	\$732
Patron Fines and Fees	9,000	9,000	11,342	2,342
Contributions, Gifts and Donations	1,000	1,000	490	(510)
Earnings on Investments	3,000	3,000	2,993	(7)
Miscellaneous	1,000	1,000	1,393	393
<i>Total receipts</i>	<u>453,438</u>	<u>453,438</u>	<u>456,388</u>	<u>2,950</u>
Disbursements				
Current:				
Salaries	273,103	273,103	261,746	11,357
Employee Fringe Benefits	109,500	109,500	92,738	16,762
Purchased and Contracted Services	72,392	72,392	49,583	22,809
Library Material and Information	119,981	119,981	44,717	75,264
Supplies	21,710	21,710	15,197	6,513
Contingencies	10,000	10,000	0	10,000
Other	2,500	2,500	1,155	1,345
Capital Outlay	25,000	25,000	4,831	20,169
<i>Total Disbursements</i>	<u>634,186</u>	<u>634,186</u>	<u>469,967</u>	<u>164,219</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(180,748)</u>	<u>(180,748)</u>	<u>(13,579)</u>	<u>167,169</u>
<i>Fund Balance Beginning of Year</i>	175,905	175,905	175,905	0
Prior Year Encumbrances Appropriated	4,843	4,843	4,843	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$167,169</u>	<u>\$167,169</u>

See accompanying notes to the basic financial statements

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**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Note 1 – Description of the Library and Reporting Entity

The Sylvester Memorial Wellston Public Library was organized under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Wellston City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

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 is involved with the Ohio Valley Area Libraries which is defined as a jointly governed organization and is presented in Note 7.

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 2.C, the financial statements of the Sylvester Memorial Wellston Public Library have been prepared on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements, 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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. 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 taxes, 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 Library has no Business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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 is self-financing on a modified 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 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. The Library has no nonmajor funds.

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 all classified as governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, 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:

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Permanent Improvement Fund - The Permanent Improvement Fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified 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.

D. Budgetary Process

All 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 and character or major category of the 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.

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

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."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004 and 2005, investments were limited to STAROhio

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2004 and December 31, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2004 amounted to \$2,993 and during 2005 amounted to \$3,651.

F. 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 modified cash basis of accounting.

G. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

H. 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 did not have any net assets restricted for other purposes.

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.

I. 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 – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year ended December 31, 2005 (budgetary basis) amounted to \$4,093 for the General Fund, and encumbrances outstanding at year ended December 31, 2004 (budgetary basis) amounted to \$4,889 for the General Fund.

Note 4 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active 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 Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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 held by the Library can be deposited or invested in the following securities:

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 4 – Deposits and Investments (continued)

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).

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.

At year end, the Library had \$185 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" for December 31, 2005 and December 31, 2004.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$1,279,569 of the Library's bank balance of \$1,479,569 and at December 31, 2004, \$1,267,045 of the Library's bank balance of \$1,467,045 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 4 – Deposits and Investments (continued)

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2005, the Library had \$152,077 invested in STAROhio and as of December 31, 2004, the Library had \$157,332 invested in STAROhio.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Grants-In-Aid

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

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005 and 2004, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Westfield Companies	Commercial Property	\$1,270,000
	General Liability	\$1,000,000
	Commercial Crime	\$13,300
	Inland Marine	\$78,000
	Vehicle	\$1,000,000
Republic-Franklin Insurance Company	Errors and Omissions	\$2,000,000
	Library Officials	\$1,000,000
Lockard Insurance Company	Fidelity and Deposit	\$10,000

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 6 - Risk Management (continued)

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.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 7 - Defined Benefit Pension Plan

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, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 and 2004 was 9.55 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 December 31, 2005, 2004, and 2003 were \$60,999, \$57,715, and \$36,263 respectively; the full amount has been contributed for 2005, 2004, and 2003.

Note 8 - Postemployment Benefits

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 primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY
JACKSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)**

Note 8 - Postemployment Benefits (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 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 premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$147,863. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 - Jointly Governed Organization

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

Note 10 - Related Party Transaction

The Library pays an annual fee as well as service fees to the Ohio Valley Area Libraries (OVAL), a jointly governed organization, of which the Library is a member. OVAL provides training programs, technology support, and "Books by Mail" services for which the member libraries are billed each month. The Library paid \$7,480 to OVAL for annual dues and fees for services provided and \$30,822 for hospitalization insurance provided through OVAL in 2005. The Library paid \$10,395 to OVAL for annual dues and fees for services provided and \$27,326 for hospitalization insurance provided through OVAL in 2004.

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Auditor of State Betty Montgomery

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

Sylvester Memorial Wellston Public Library
Jackson County
135 East Second Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Sylvester Memorial Wellston Public Library, Jackson County, Ohio (the Library), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 5, 2006, wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted that the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Library's management dated May 5, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Library's basic 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*.

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

Sylvester Memorial Wellston Public Library
Jackson County
Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 5, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SYLVESTER MEMORIAL WELLSTON PUBLIC LIBRARY

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**