



Mary Taylor, CPA  
Auditor of State



**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report 2007.....   | 1           |
| Management's Discussion and Analysis 2007.....  | 3           |
| Basic Financial Statements:   |             |
| 2007 Government-wide Financial Statements:  |             |
| Statement of Net Assets – Cash Basis as of December 31, 2007 .....  | 11          |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2007 .....   | 12          |
| 2007 Fund Financial Statements:   |             |
| Statement of Cash Basis Assets and Fund Balances<br>–Governmental Funds as of December 31, 2007 .....   | 13          |
| Statement of Cash Receipts, Disbursements, and Changes<br>In Cash Basis Fund Balances – Governmental Funds<br>For the Year Ended December 31, 2007 .....            | 14          |
| Statement of Receipts, Disbursements and Changes in Fund<br>Balance – Budget and Actual – Budget Basis – General Fund<br>For the Year Ended December 31, 2007 ..... | 15          |
| Notes to the Basic Financial Statements 2007 .....  | 17          |
| Independent Accountants' Report 2006.....   | 25          |
| Management's Discussion and Analysis 2006.....  | 27          |
| 2006 Government-wide Financial Statements:  |             |
| Statement of Net Assets – Cash Basis as of December 31, 2006.....   | 33          |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2006 .....   | 34          |
| 2006 Fund Financial Statements:   |             |
| Statement of Cash Basis Assets and Fund Balances<br>–Governmental Funds as of December 31, 2006 .....   | 35          |
| Statement of Cash Receipts, Disbursements, and Changes<br>In Cash Basis Fund Balances – Governmental Funds<br>For the Year Ended December 31, 2006 .....            | 36          |
| Statement of Receipts, Disbursements and Changes in Fund<br>Balance – Budget and Actual – Budget Basis – General Fund<br>For the Year Ended December 31, 2006 ..... | 37          |

HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY

TABLE OF CONTENTS  
(Continued)

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Notes to the Basic Financial Statements 2006 .....  | 39          |
| Independent Accountants' Report on Internal Control Over Financial<br>Reporting and on Compliance and Other Matters Required<br>by <i>Government Auditing Standards</i> ..... | 47          |



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Highland County District Library  
Highland County  
10 Willettsville Pike  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio (the Library), as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions. 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principals 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio, as of December 31, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2008

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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This discussion and analysis of the Highland County District Library's (The Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2007 within the limitations of the Library's cash basis accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

Net assets for all funds of the Highland County District Library activities decreased \$122,654 from the prior year or 4.5%. The majority of our monies go directly into the General Fund. This fund is most affected by the increase or decrease in cash and cash equivalents and which realizes the greatest burden of increased costs in 2007; however, the amount of money in the Building & Repair Fund was decreased with the purchase of land for a new Hillsboro/Main Library rather than the General Fund.

The Library's general receipts are primarily The Local Library Government Support Fund (LLGSF). These receipts represent respectively \$1,412,969 or 85% of the total cash received for governmental activities during the year. The LLGSF receipts for 2007 changed very little compared to 2006 and are expected to remain the same in 2008. The Ohio Library Council has advised all Library systems that 2008 could be a year of diminishing revenues for the State, and that all entities should be looking at areas of spending that could be cut.

The Library finalized the acquisition of the Lowell Chaney property located on South High Street in March, 2007. The present facility does not meet the needs of our patrons. The parking area is extremely limited. The staff at the Main Library has been given permission to park in the Hillsboro High School lot which has enabled patrons access to the parking area. Due to having more parking for our patrons, the large selection of Library materials, public internet access, and quality programming, circulation has increased steadily for the past fifteen years throughout all Library locations. The designated working areas at the Hillsboro Library are also extremely inadequate, as is the Hillsboro meeting room. The Library Board of Trustees has not yet determined when construction for a new facility would begin, however, McCarty's & Associates have been chosen as architects for the project.

The roof of the new Greenfield Branch Library was not installed properly. Every storm finds portions of the shingles in the parking area, and the property insurance company will not cover re-placement costs. We have talked with the construction company about repairing the roof without success.

Our entity, at this date, has no debt issues. The legislation which would have adversely impacted our funding was not passed. Our Board and Director continue to control our spending. We have not budgeted for increases in any area for 2008, and have only started to think about constructing the new Main Library. We have only added increases in spending where absolutely necessary.

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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The Library system continues to provide excellent programming throughout the County. The Library currently provides an excellent summer reading program to all children, young people and adults throughout the county. During 2007, the Library continued with the Christmas program, "Merry Money", where children are able to purchase Christmas gifts for their families. They receive "Merry Money" for each hour/book they read. This money is then used to redeem items at our Christmas store held at each location. The program has been extremely successful.

Our overall expenditures were very close to our original budget figures.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a 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 cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2007, within the limitations of cash basis accounting. Most of the Library's basic services are reported within these statements. The Library provides a variety of programming to the children and adults of our county. We are very active in sponsoring summer reading programs for children of all ages, as well as young adults and adults. The Library hosted a system wide Children's Christmas Program, MERRY



HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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MONEY, which was extremely well received at the Main Library and each branch. We provide an excellent selection of library materials which includes books, periodicals, newspapers, entertainment and instructional videocassettes and DVD's, computer software for public use, and high speed Internet access. 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. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. 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 as well, such as the Library's funding, the condition of the Library's capital assets, and the need for continued growth in the major local revenue sources.

**Reporting the Government'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 Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental funds are the General Fund and the Building & Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Library as a Whole**

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

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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**Net Assets**

|                           | Governmental Activities |             |
|---------------------------|-------------------------|-------------|
|                           | 2007                    | 2006        |
| <b>Assets</b>             |                         |             |
| Cash and Cash Equivalents | \$2,738,408             | \$2,861,063 |
| Total Assets              | \$2,738,408             | \$2,861,063 |
| <b>Net Assets</b>         |                         |             |
| Restricted for:           |                         |             |
| Capital Projects          | 154,428                 | 334,314     |
| Permanent Fund:           |                         |             |
| Expendable                | 1,588                   | 1,212       |
| Non Expendable            | 7,000                   | 7,000       |
| Other Purposes            | 69,743                  | 69,743      |
| Unrestricted              | 2,505,649               | 2,448,794   |
| Total Net Assets          | \$2,738,408             | \$2,861,063 |

As mentioned previously, net assets of governmental activities decreased \$122,654 or 4.5% during 2007. The primary reason contributing to the decrease in the cash balance is due to the acquisition of the property on South High Street, which is the proposed site of the new Main Library. Despite the fact that net assets decreased in 2007, the primary reasons contributing to the fact that cash balances did not decrease more are as follows:

- **Controlled spending.** We had no increased revenues in 2007 but were able to keep spending down in many areas. We did not have any major repairs to any facility; therefore, our expenses were less than anticipated
- **While salaries did increase in 2007 our entity was able to maintain beginning year Appropriations while still providing excellent service.** We have not re-placed the position of Assistant Director, and at this time have no plans to increase our staff. In the future Miss West will need an Assistant, but at this time we would have no space for an office. Our budget for 2008 is very similar to our past budgets. At this time the Board of Directors has not determined the time line for construction of the new Hillsboro Library.
- **Unanticipated Revenues:** The Hillsboro/Main Library received a generous donation in 2007. This money was given to the Hillsboro Library and the patron is aware that her funds will be used for construction of a new facility. Due to increased circulation, our Patron Fine & Copy monies continue to increase. In 2007 our fine and copy monies totaled \$67,295.

Table 2 reflects the changes in net assets in 2007. The Library did prepare financial statements in this format for the years of 2006 and 2005.

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

(Table 2)  
**Changes in Net Assets**

|                                      | Governmental<br>Activities |                  | Variance         |
|--------------------------------------|----------------------------|------------------|------------------|
|                                      | 2007                       | 2006             |                  |
| Receipts:                            |                            |                  |                  |
| Program Receipts:                    |                            |                  |                  |
| Charges for Services and Sales       | \$67,294                   | \$65,771         | \$1,523          |
| Capital Grants and Contributions     | 2,025                      | 2,170            | (145)            |
| Total Program Receipts               | <u>69,319</u>              | <u>67,941</u>    | <u>1,378</u>     |
| General Receipts:                    |                            |                  |                  |
| Local Library Government Support     | 1,412,969                  | 1,412,969        | -                |
| Unrestricted Gifts and Contributions | 39,104                     | 41,925           | (2,821)          |
| Sale of Fixed Assets                 | -                          | 94,000           | (94,000)         |
| Earnings on Investments              | 143,573                    | 144,028          | (455)            |
| Miscellaneous                        | 5,191                      | 2,068            | 3,123            |
| Total General Receipts               | <u>1,600,837</u>           | <u>1,694,990</u> | <u>(94,153)</u>  |
| Total Receipts                       | <u>1,670,156</u>           | <u>1,762,931</u> | <u>(92,775)</u>  |
| Disbursements:                       |                            |                  |                  |
| Library Services                     | 1,383,063                  | 1,330,857        | 52,206           |
| Capital Outlay                       | 409,748                    | 49,475           | 360,273          |
| Total Disbursements                  | <u>1,792,811</u>           | <u>1,380,332</u> | <u>412,479</u>   |
| Excess (Deficiency) Before Transfers | (122,655)                  | 382,599          | (505,254)        |
| Transfers:                           |                            |                  |                  |
| Transfers - In                       | 200,376                    | 256              | 200,120          |
| Transfers - Out                      | (200,376)                  | (256)            | (200,120)        |
| Total Transfers                      | <u>-</u>                   | <u>-</u>         | <u>-</u>         |
| Increase (Decrease) in Net Assets    | (122,655)                  | 382,599          | (505,254)        |
| Net Assets, Beginning of Year        | <u>2,861,063</u>           | <u>2,478,464</u> | <u>382,599</u>   |
| Net Assets, End of Year              | <u>2,738,408</u>           | <u>2,861,063</u> | <u>(122,655)</u> |

Program receipts of \$69,319 represent only 3.85% percent of total receipts. This amount is primarily comprised of patron fines, copy, fax, and lost item fees. In 2007, the Library did receive grant money in the amount of \$2,025.

General receipts represent over 96% of the Library's total receipts, and of this amount, over 85% percent are Local Library Government Support. This past year we received \$143,573 in interest which is 8.6% of our total receipts. The amount of interest received is directly tied to the balance in the General Fund-Merchants Now account. The Library received \$39,104 in contributions for the year. This represents 2.4% of the total receipts. Some of our receipts are somewhat unpredictable revenue sources, such as Contributions/Gifts and also our Patron Fines. Disbursements represent the overhead costs of running the Library and the support services provided. These disbursements include salaries, library materials, purchased services, and capital outlay. The Library is now within a Library Consortium, which is SEO. The Library ships and receives many books daily for our patrons both within Highland County and throughout the state. This creates a great workload for our library system.

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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**Governmental Activities**

If you look at the Statement of Activities 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 next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. 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)

|                  | <b>Governmental Activities</b> |               |             |               |
|------------------|--------------------------------|---------------|-------------|---------------|
|                  | Total Cost                     | Net Cost      | Total Cost  | Net Cost      |
|                  | of Services                    | of Services   | of Services | of Services   |
|                  | 2007                           | 2007          | 2006        | 2006          |
| Library Services | \$1,383,063                    | (\$1,313,744) | \$1,330,857 | (\$1,262,916) |
| Capital Outlay   | 409,748                        | (409,748)     | 49,475      | (49,475)      |
| Total Expenses   | \$1,792,811                    | (\$1,723,492) | \$1,380,332 | (\$1,312,391) |

**The Library Funds**

Total Library funds had total receipts of \$1,670,156. We had total disbursements of \$1,792,811. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$122,654 as the result of the acquisition of the property on South High Street which will be the site of the new Main Library for the system. Our expenses in every other appropriation line were as budgeted.

General Fund receipts were less than disbursements by \$122,655. This is the first year in the last four or five where expenditures exceeded revenues. The Board has planned for construction of a new Main Library for several years, so we anticipated spending more than we received in monies.

**General Fund Budgeting Highlights**

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

During 2007, the Library did not amend its General Fund Appropriations. Final budgeted receipts were less than original budgeted receipts. The Library had budgeted \$1,698,396. in revenues. Our actual revenue amount was \$1,669,656. Our LLGSF was cut from \$1,536,396 to \$1,412, 969, or \$123,427. less than anticipated.

HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
Unaudited

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Final disbursements were budgeted at \$2,027,720, while actual disbursements were \$1,612,802. The Library kept spending as close to the budgeted amounts as was possible. The Library will need to continue to upgrade the Computer system. We have provided the Public with Internet access at all facilities along with our Circulation computer system. The Public in Highland County is well served with providing free high speed internet access to all. This service is in high demand at all locations, and due to our rural location in the state, we will need to keep our technology services available and upgraded.

**Current Issues**

The challenge for the Library is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library relies heavily on Local Library Government Support Funds. The Library is currently financially sound. The Library continues to maintain our goal of monitoring our expenditures and providing needed services at each location of our Library system. While our goal is to increase our circulation every year, this will also impact our expenditures through supplies, staffing, utilities and maintenance to all our facilities.

Interim Director, Jennifer West, was named Director at the April 2007 Board meeting. The board and Staff were extremely pleased to have Jennifer accept this position as she has always worked at the Main Library. Long time Leesburg Branch Manager Carol Gustin retired as of June 01, 2007. Part time employee Sharon Aukeman was named as the new Leesburg Branch Manager. Both Library personnel and the Board members are very pleased with these employees accepting new positions.

The citizens of Rocky Fork Lake met with Director Jennifer West and three members of the Board of Trustees. Residents of the lake area would very much like the Trustees to add a branch Library in their section of the county. At this time, the Board has committed to a new building program for the main Library in Hillsboro, but would investigate the possibility of a branch location in the future. There are many areas of concern in establishing a new branch Library. The Library would need to have a location centrally located to the Lake region. At this time, the Board does not feel that we can add another facility with the additional expenses it would incur to our already shrinking budget.

Director Jennifer West met with the Hillsboro City Council in early spring to ask members to consider the request by the Library to change the zoning of the present site of the Hillsboro Library at 10 Willettsville Pike from Residential "A" to Residential "B". This change would allow professional offices to locate at this premise. Residential "A" zoning will allow only schools, churches, libraries or museums to be located on the site. A public hearing was held July 9<sup>th</sup>, 2007. The Planning Committee recommended to Hillsboro City Council that the zoning not be changed. At the August 21, 2007 meeting, City Council followed the Commission's recommendation, and did nothing. The zoning was left as is. This decision could have a serious impact to the Library. Our present zoning will restrict potential buyers to a very small minority, and this could cause our present building to be worth a fraction of its true real estate market value.

**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: Emily F. Evans, Clerk /Treasurer, Highland County District Library, 10 Willettsville Pike, Hillsboro, Ohio 45133.

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**HIGHLAND CO LIBRARY, HIGHLAND COUNTY**

*Statement of Net Assets - Cash Basis*

*December 31, 2007*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$2,738,408                        |
| Investments                                | 0                                  |
| <i>Total Assets</i>                        | <u><u>2,738,408</u></u>            |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | 154,428                            |
| Debt Service                               | 0                                  |
| Permanent Fund: PURCHASE OF BOOKS          |                                    |
| Expendable                                 | 1,588                              |
| Nonexpendable                              | 7,000                              |
| Other Purposes                             | 69,743                             |
| Unrestricted                               | 2,505,649                          |
| <i>Total Net Assets</i>                    | <u><u>\$2,738,408</u></u>          |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|                                      | <u>Program Cash Receipts</u>  |   |   | Net (Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|--------------------------------------|-------------------------------|---|---|---|
|                                      | <u>Cash<br/>Disbursements</u> | <u>Charges<br/>for Services<br/>and Sales</u> | <u>Capital Grants<br/>and Contributions</u> | <u>Governmental<br/>Activities</u>                              |
| <b>Governmental Activities</b>       |                               |   |   |   |
| Library Services                     | \$1,383,063                   | \$67,294                                      | \$2,025                                     | \$1,313,744   |
| Capital Outlay                       | 409,748                       | 0   | 0   | 409,748   |
| <i>Total Governmental Activities</i> | <u>\$1,792,811</u>            | <u>\$67,294</u>                               | <u>\$2,025</u>                              | <u>1,723,492</u>  |
| <b>General Receipts</b>              |                               |   |   |   |
| Library and Local Government Support |                               |   |   | 1,412,969   |
| Unrestricted Gifts and Contributions |                               |   |   | 39,104  |
| Earnings on Investments              |                               |   |   | 143,573   |
| Miscellaneous                        |                               |   |   | 5,191   |
| <i>Total General Receipts</i>        |                               |   |   | <u>1,600,837</u>  |
| Change in Net Assets                 |                               |   |   | (122,655)   |
| <i>Net Assets Beginning of Year</i>  |                               |   |   | <u>2,861,063</u>  |
| <i>Net Assets End of Year</i>        |                               |   |   | <u>\$2,738,408</u>  |

See accompanying notes to the basic financial statements



**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

|  | GENERAL<br>FUND    | CAPITAL<br>PROJECT<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|--------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                              |                    |                            |                                |                                |
| Equity in Pooled Cash and Cash Equivalents | \$2,505,649        | \$154,428                  | \$78,331                       | \$2,738,408                    |
| <i>Total Assets</i>                        | <u>\$2,505,649</u> | <u>\$154,428</u>           | <u>\$78,331</u>                | <u>\$2,738,408</u>             |
| <b>Fund Balances</b>                       |                    |                            |                                |                                |
| Unreserved:                                |                    |                            |                                |                                |
| Undesignated (Deficit), Reported in:       |                    |                            |                                |                                |
| General Fund                               | \$2,505,649        | \$0                        | \$0                            | \$2,505,649                    |
| Special Revenue Funds                      | 0                  | 0                          | 69,743                         | 69,743                         |
| Capital Projects Funds                     | 0                  | 154,428                    | 0                              | 154,428                        |
| Permanent Fund                             | 0                  | 0                          | 8,588                          | 8,588                          |
| <i>Total Fund Balances</i>                 | <u>\$2,505,649</u> | <u>\$154,428</u>           | <u>\$78,331</u>                | <u>\$2,738,408</u>             |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | GENERAL<br>FUND    | CAPITAL<br>PROJECT<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL              |
|---|--------------------|----------------------------|--------------------------------|--------------------|
| <b>Receipts</b>                               |                    |                            |                                |                    |
| Library and Local Government Support          | \$1,412,969        | \$0                        | \$0                            | \$1,412,969        |
| Intergovernmental                             | 2,025              | 0                          | 0                              | 2,025              |
| Patron, Fines and Fees                        | 67,294             | 0                          | 0                              | 67,294             |
| Contributions, Gifts and Donations            | 38,604             | 500                        | 0                              | 39,104             |
| Earnings on Investments                       | 143,573            | 0                          | 0                              | 143,573            |
| Miscellaneous                                 | 5,191              | 0                          | 0                              | 5,191              |
| <b>Total Receipts</b>                         | <b>1,669,656</b>   | <b>500</b>                 | <b>0</b>                       | <b>1,670,156</b>   |
| <b>Disbursements</b>                          |                    |                            |                                |                    |
| Current:                                      |                    |                            |                                |                    |
| Library Services                              | 1,383,063          | 0                          | 0                              | 1,383,063          |
| Capital Outlay                                | 29,363             | 380,385                    | 0                              | 409,748            |
| <b>Total Disbursements</b>                    | <b>1,412,426</b>   | <b>380,385</b>             | <b>0</b>                       | <b>1,792,811</b>   |
| Excess of Receipts Over (Under) Disbursements | 257,230            | (379,885)                  | 0                              | (122,655)          |
| Other Financing Sources (Uses)                |                    |                            |                                |                    |
| Transfers In                                  | 0                  | 200,000                    | 376                            | 200,376            |
| Transfers Out                                 | (200,376)          | 0                          | 0                              | (200,376)          |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(200,376)</b>   | <b>200,000</b>             | <b>376</b>                     | <b>0</b>           |
| <b>Net Change in Fund Balances</b>            | <b>56,854</b>      | <b>(179,885)</b>           | <b>376</b>                     | <b>(122,655)</b>   |
| Fund Balances Beginning of Year               | 2,448,795          | 334,313                    | 77,955                         | 2,861,063          |
| <b>Fund Balances End of Year</b>              | <b>\$2,505,649</b> | <b>\$154,428</b>           | <b>\$78,331</b>                | <b>\$2,738,408</b> |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
INFUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | Budgeted Amounts   |                    |                    | (Optional)  |
|--|--------------------|--------------------|--------------------|---|
|  | Original           | Final              | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| <b>Receipts</b>                                      |                    |                    |                    |   |
| Library and Local Government Support                 | \$1,536,396        | \$1,536,396        | \$1,412,969        | (\$123,427)   |
| Intergovernmental                                    | 0                  | 0                  | 2,025              | 2,025   |
| Patron, Fines and Fees                               | 60,000             | 60,000             | 67,294             | 7,294   |
| Contributions, Gifts and Donations                   | 1,000              | 1,000              | 38,604             | 37,604  |
| Earnings on Investments                              | 100,000            | 100,000            | 143,573            | 43,573  |
| Miscellaneous  | 1,000              | 1,000              | 5,191              | 4,191   |
| <i>Total receipts</i>                                | <u>1,698,396</u>   | <u>1,698,396</u>   | <u>1,669,656</u>   | <u>(28,740)</u>   |
| <b>Disbursements</b>                                 |                    |                    |                    |   |
| Current:   |                    |                    |                    |   |
| Library Services                                     | 1,699,000          | 1,699,000          | 1,383,063          | 315,937   |
| Capital Outlay                                       | 75,000             | 75,000             | 29,363             | 45,637  |
| <i>Total Disbursements</i>                           | <u>1,774,000</u>   | <u>1,774,000</u>   | <u>1,412,426</u>   | <u>361,574</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(75,604)</u>    | <u>(75,604)</u>    | <u>257,230</u>     | <u>332,834</u>  |
| <b>Other Financing Sources (Uses)</b>                |                    |                    |                    |   |
| Transfers Out  | (200,500)          | (200,500)          | (200,376)          | 124   |
| Other Financing Uses                                 | (53,220)           | (53,220)           | 0                  | 53,220  |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(253,720)</u>   | <u>(253,720)</u>   | <u>(200,376)</u>   | <u>53,344</u>   |
| <i>Net Change in Fund Balance</i>                    | <u>(329,324)</u>   | <u>(329,324)</u>   | <u>56,854</u>      | <u>386,178</u>  |
| <i>Unencumbered Cash Balance Beginning of Year</i>   | <u>2,448,795</u>   | <u>2,448,795</u>   | <u>2,448,795</u>   | <u>0</u>  |
| <i>Unencumbered Cash Balance End of Year</i>         | <u>\$2,119,471</u> | <u>\$2,119,471</u> | <u>\$2,505,649</u> | <u>\$386,178</u>  |

See accompanying notes to the basic financial statements

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# HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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## **Note 1 – Description of the Library and Reporting Entity**

The Highland County District Library was organized as a district public library in 1878 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed either by the Highland County Commissioners, or in some instances, the Judge of the Common Pleas Court of Highland County. 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 that of the Clerk-Treasurer.

The Library is fiscally independent of the Board, although the Board serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees.

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 Highland County District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or 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.

### **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 present the governmental activities of the Library which generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

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 and grants and contributions

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### Government-wide Financial Statements

restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

#### Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental 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.

#### 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:

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.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

#### C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **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 to be received during 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 revenue are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

#### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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 2007 the Library had no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2007 amounted to \$143,573 which includes \$1,588 assigned from other Library funds (Helen Lemon Trust Fund)

#### **F. Accumulated Leave**

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

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **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.

#### **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. Net assets restricted for other purposes include resources restricted for the purchase of books.

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. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter fund transfers. Inter fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

### **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 for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no material encumbrances outstanding at year end.

### **Note 4 - Deposits**

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 on 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.



## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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### **Note 4 – Deposits (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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 purchase 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 (STAR Ohio).

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

Custodial credit risk is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Library funds shall be required to pledge eligible securities as security for repayment of all public moneys.

The Library has no deposit policy for custodial credit risk. At year end, \$2,656,625 of the Library's bank balances was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2007*

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### **Note 5 – 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 2006, 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> |
|-------------------------------------|-------------------------|-----------------|
| Wilkin & Wilkin Insurance Company 1 | Commercial Property     | \$4,627,500     |
|                                     | Personal Property       |                 |
| France & Associates                 | General Liability       | \$4,105,000     |
|                                     | Commercial Crime        | \$10,000        |
|                                     | Inland Marine           | \$175,000       |
|                                     | Vehicle                 | \$1,000,000     |
| France & Associates                 | Errors and Omissions    | \$1,000,000     |
| France & Associates                 | Library Officials       |                 |
|                                     | Fidelity and Deposit    |                 |

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 6 - Library and Local Government Support Fund**

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 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.

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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### **Note 7 Defined Benefit Pension Plan (Continued)**

OPERS provide 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, 2007 the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$100,695, \$92,669, and \$93,068 respectively; the full amount has been contributed for 2007, 2006, and 2005. Contributions to the member-directed plan for 2007 were \$100,695 made by the Library and \$69,069 made by the plan members.

### **Note 8— Post Employment Benefits**

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the member-directed plan do not qualify for post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 45*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care Plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

The 2007 local government employer contribution rate was 13.85 percent of covered payroll. The portion of employer contributions allocated to the health care plan was 5 percent from January 1 through June 30, 2007 and 6 percent from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 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 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5.00 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007*

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### **Note 8– Post Employment Benefits (Continued)**

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

As of December 31, 2007, the Traditional Pension and Combined plans had 374,979 active contributing participants. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$100,695. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007 which will allow additional funds to be allocated to the health care plan.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Highland County District Library  
Highland County  
10 Willettsville Pike  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio (the Library), as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions. 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principals 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio, as of December 31, 2006, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2008

**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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This discussion and analysis of the Highland County District Library's (The Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31 2006 within the limitations of the Library's modified cash basis accounting. The intent of this discussion and analysis is to look at the Library's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

**Highlights**

Key highlights for 2006 are as follows:

Net assets for the Highland County District Library governmental activities increased \$382,479 or 15% from the prior year. The majority of our monies go directly into the General Fund. This fund is most affected by the increase in cash and cash equivalents and which realizes the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Library's general receipts are primarily made up of Local Library Government Support Fund (LLGSF). These receipts represent respectively \$1,412,969 or 85% of the total cash received for governmental activities during the year. The LLGSF receipts for 2006 changed very little compared to 2005 and are expected to remain consistent in 2007.

The Library is in the process of acquiring land for a new Main Library located in Hillsboro. The present facility does not meet the needs of patrons as the parking area is extremely limited. The staff at the Main Library has been able to park at the Hillsboro High School lot for the last two years. The Library Board of Trustees has not determined when construction on a new facility would begin. The three branches have been built within the last ten years and are in excellent repair. The Library's goal is to maintain this excellence at all facilities.

The Library has no debt issues. The legislation which would have adversely impacted funding was not passed. The Board and Interim Director continue to control spending.

As our previous Director, Judith Lindley, retired in 2005, our Board began a search for a new Director. Jennifer West, who was our Assistant Director, has made the transition to the position of Interim Director very smoothly. This past year has been extremely successful as our Library circulation continues to increase every year. Our programming at all locations within the system has been extremely successful.

Our overall expenditures were very close to our original budget figures. Our only increases were in the Salary and Capital Expenditure/Computer Software & Equipment Lines. Capital expenditures increased due to theft and vandalism in the area. Lynchburg Branch continues to be the target for robbery. Fortunately, there has been only a nominal amount that has actually been stolen, but the facility entry & side doors have sustained damage several times. Our Library has taken measures to ensure that our facilities are as secure as we can possibly make them.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2006, within the limitations of cash basis accounting. The Library's basic services are reported within these statements. The Library provides a variety of programming to the children and adults of our county. The Library is very active in sponsoring summer reading programs for children of all ages, as well as young adults and adults. The Library provide an excellent selection of library materials which includes books, periodicals, newspapers, entertainment and instructional videocassettes and DVD's, computer software for public use, and high speed Internet access. The statement of net assets presents the cash balances and deposits of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non- financial factors as well, such as the Library's funding, the condition of the Library's capital assets and infrastructure, and the need for continued growth in the major local revenue sources.



**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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**Reporting the Government'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 Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only two major governmental funds are the General Fund and the Building and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Government as a Whole**

Table 1 provides a summary of the Library's net assets for 2006 compared to 2005 on cash basis:

(Table 1)

**Net Assets**

|                           | Governmental Activities |             |
|---------------------------|-------------------------|-------------|
|                           | 2006                    | 2005        |
| <b>Assets</b>             |                         |             |
| Cash and Cash Equivalents | 2,861,063               | 2,478,464   |
| Total Assets              | 2,861,063               | 2,478,464   |
| <b>Net Assets</b>         |                         |             |
| Restricted For:           |                         |             |
| Capital Projects          | 334,314                 | 334,314     |
| Permanent Fund:           |                         |             |
| Expendable                | 1,212                   | 956         |
| Non Expendable            | 7,000                   | 7,000       |
| Other Purposes            | 69,743                  | 70,742      |
| Unrestricted              | 2,448,794               | 2,065,452   |
| Total Net Assets          | \$2,861,063             | \$2,478,464 |

As mentioned previously, net assets of governmental activities increased \$382,479 or 15% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

- Controlled spending. We had no increased revenues in 2006 but were able to keep spending down in many areas. We did not have any major repairs to any facility; therefore, our expenses were less than anticipated. We also sold the site of the former Greenfield Branch Library.
- While salaries did increase in 2006, our entity was able to maintain beginning year appropriations while still providing excellent service. Our budget for 2007 is very similar to our past budget, however, we hope to purchase ground in the city of Hillsboro with plans in the near future to construct a new Main Library.

Table 2 reflects the changes in net assets in 2006. The Library did prepare financial statements in this format for the years of 2004 and 2005.

(Table 2)  
**Changes in Net Assets**

|                                      | Governmental<br>Activities |                    | Variance         |
|--------------------------------------|----------------------------|--------------------|------------------|
|                                      | 2006                       | 2005               |                  |
| Receipts:                            |                            |                    |                  |
| Program Receipts:                    |                            |                    |                  |
| Charges for Services and Sales       | \$65,771                   | \$67,217           | (\$1,446)        |
| Capital Grants and Contributions     | 2,170                      | 23,668             | (\$21,498)       |
| Total Program Receipts               | <u>67,941</u>              | <u>90,885</u>      | <u>(22,944)</u>  |
| General Receipts:                    |                            |                    |                  |
| Local Library Government Support     | 1,412,969                  | 1,412,969          | -                |
| Unrestricted Gifts and Contributions | 41,925                     | 34,518             | 7,407            |
| Sale of Fixed Assets                 | 94,000                     | -                  | 94,000           |
| Earnings on Investments              | 144,028                    | 125,426            | 18,602           |
| Miscellaneous                        | 2,068                      | 2,771              | (703)            |
| Total General Receipts               | <u>1,694,990</u>           | <u>1,575,684</u>   | <u>119,306</u>   |
| Total Receipts                       | <u>1,762,931</u>           | <u>1,666,569</u>   | <u>96,362</u>    |
| Disbursements:                       |                            |                    |                  |
| Library Services                     | 1,330,857                  | 1,380,767          | (49,910)         |
| Capital Outlay                       | 49,475                     | 79,307             | (29,832)         |
| Total Disbursements                  | <u>1,380,332</u>           | <u>1,460,074</u>   | <u>(79,742)</u>  |
| Excess (Deficiency) Before Transfers | 382,599                    | 206,495            | 176,104          |
| Transfers:                           |                            |                    |                  |
| Transfers - In                       | 256                        | 23,858             | (23,602)         |
| Transfers - Out                      | (256)                      | (23,858)           | 23,602           |
| Total Transfers                      | <u>0</u>                   | <u>0</u>           | <u>0</u>         |
| Increase (Decrease) in Net Assets    | 382,599                    | 206,495            | 176,104          |
| Net Assets, Beginning of Year        | <u>2,478,464</u>           | <u>2,271,969</u>   | <u>206,495</u>   |
| Net Assets, End of Year              | <u>\$2,861,063</u>         | <u>\$2,478,464</u> | <u>\$382,599</u> |

**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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Program receipts of \$67,941 represent only 3.85% percent of total receipts. This amount is primarily comprised of patron fines, copy, fax, and lost item fees. The Library did receive grant money in 2006.

General receipts represent 96% of the Library’s total receipts, and of this amount, over 80% were for Local Library Government Support. Interest earnings received by the Library made up 8% of total receipts annually, totaling \$144,028 in 2006. The Library received \$41,925 in contributions in 2006. These contributions represented 2% of total receipts in 2006. Other receipts are very insignificant and somewhat unpredictable revenue sources. Disbursements represent the overhead costs of running the Library and the support services provided. These disbursements include salaries, library materials, programming expenses, purchased services, and capital outlay. We are now within a Library Consortium, SEO, and we ship and receive many books daily for our patrons both within Highland County and throughout the state. This creates a great workload for our library system.

**Governmental Activities**

If you look at the Statement of Activities 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 next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. 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)

|                  | <b>Governmental Activities</b> |                         |                           |                         |
|------------------|--------------------------------|-------------------------|---------------------------|-------------------------|
|                  | Total Cost<br>of Services      | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|                  | 2006                           | 2006                    | 2005                      | 2005                    |
| Library Services | \$1,330,857                    | (\$1,262,916)           | \$1,380,767               | (\$1,289,882)           |
| Capital Outlay   | 49,475                         | (49,475)                | 79,307                    | (79,307)                |
| Total Expenses   | \$1,380,332                    | (\$1,312,391)           | \$1,460,074               | (\$1,369,189)           |

**The Library Funds**

Total governmental funds had receipts of \$1,762,931 and disbursements of \$1,380,332. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$289,479 as the result of increased revenues, prudent spending. Total increase of receipts over disbursements when all funds were included was \$382,599.

General Fund receipts were more than disbursements by \$257,230 indicating that the General Fund is in a positive spending situation. The Library spent a total of \$1,000 from our Special Revenue/Technology Fund.

**HIGHLAND COUNTY DISTRICT LIBRARY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Unaudited**

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**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 2006, the Library amended its General Fund Appropriations only twice to reflect changing circumstances and these changes occurred within the Salaries and Computer/Equipment lines. Final receipts were above original budgeted receipts. The Library had budgeted \$1,513,469 in revenues. Our actual revenue amount was \$1,762,931

Final disbursements were budgeted at \$1,670,500 while actual disbursements were \$1,379,588. Receipts exceeded expectations. The Library kept spending as close to the budgeted amounts as was possible. Appropriations were not reduced but rather increased in needed areas. As discussed earlier, Salaries were increased only once and then by only a small amount. We increased spending in our Computer Equipment/Outlay appropriation line due to the necessity of upgrading our computer security system for the Library. A Firewall was added. We will need to upgrade our Computer system on a continuous basis as we have provided the Public with Internet access at all facilities. Our circulation computer system will also need to be kept at an upgraded level that will allow us to handle our increased circulation. Even with noted changes, we saw an increase in the overall balance of all funds of \$382,599 for 2006.

**Current Issues**

The challenge for the Library is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library relies heavily on Local Library Government Support Funds. The Library is currently financially sound, and will continue to maintain our goal of monitoring our expenditures and providing needed services at each location of our Library system. While our goal is to increase our circulation every year, this will also impact our expenditures through supplies, staffing, utilities and maintenance to all our facilities.

**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: Emily F. Evans, Clerk /Treasurer, Highland County District Library, 10 Willettsville Pike, Hillsboro, Ohio 45133.

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
December 31, 2006**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity in Pooled Cash and Cash Equivalents | \$2,861,063                        |
| <i>Total Assets</i>                        | <u><u>\$2,861,063</u></u>          |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | \$334,313                          |
| Permanent Fund:                            |                                    |
| Expendable                                 | 1,212                              |
| Nonexpendable                              | 7,000                              |
| Other Purposes                             | 69,743                             |
| Unrestricted                               | 2,448,795                          |
| <i>Total Net Assets</i>                    | <u><u>\$2,861,063</u></u>          |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|                                      | Program Cash Receipts   |                                      |                                     | Net (Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|--------------------------------------|-------------------------|--------------------------------------|-------------------------------------|---|
|                                      | Cash<br>Disbursements   | Charges<br>for Services<br>and Sales | Capital Grants<br>and Contributions | Governmental<br>Activities                                      |
| <b>Governmental Activities</b>       |                         |                                      |                                     |   |
| Library Services                     | \$1,330,857             | \$65,771                             | \$2,170                             | (\$1,262,916)   |
| Capital Outlay                       | 49,475                  | 0                                    | 0                                   | (49,475)  |
| <i>Total Governmental Activities</i> | <u>\$1,380,332</u>      | <u>\$65,771</u>                      | <u>\$2,170</u>                      | <u>(1,312,391)</u>  |
| <br>                                 |                         |                                      |                                     |   |
|                                      | <b>General Receipts</b> |                                      |                                     |   |
|                                      |                         |                                      |                                     | 1,412,969   |
|                                      |                         |                                      |                                     | 41,925  |
|                                      |                         |                                      |                                     | 94,000  |
|                                      |                         |                                      |                                     | 144,028   |
|                                      |                         |                                      |                                     | <u>2,068</u>  |
|                                      |                         |                                      |                                     | <u>1,694,990</u>  |
|                                      |                         |                                      |                                     | 382,599   |
|                                      |                         |                                      |                                     | <u>2,478,464</u>  |
|                                      |                         |                                      |                                     | <u>\$2,861,063</u>  |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

|                                      | GENERAL<br>FUND    | CAPITAL<br>PROJECT<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--------------------------------------|--------------------|----------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                        |                    |                            |                                |                                |
| Cash                                 | \$2,448,795        | \$334,313                  | \$77,955                       | \$2,861,063                    |
| <i>Total Assets</i>                  | <u>\$2,448,795</u> | <u>\$334,313</u>           | <u>\$77,955</u>                | <u>\$2,861,063</u>             |
| <b>Fund Balances</b>                 |                    |                            |                                |                                |
| Unreserved:                          |                    |                            |                                |                                |
| Undesignated (Deficit), Reported in: |                    |                            |                                |                                |
| General Fund                         | \$2,448,795        | \$0                        | \$0                            | \$2,448,795                    |
| Special Revenue Funds                | 0                  | 0                          | 69,743                         | 69,743                         |
| Capital Projects Funds               | 0                  | 334,313                    | 0                              | 334,313                        |
| Permanent Fund                       | 0                  | 0                          | 8,212                          | 8,212                          |
| <i>Total Fund Balances</i>           | <u>\$2,448,795</u> | <u>\$334,313</u>           | <u>\$77,955</u>                | <u>\$2,861,063</u>             |

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|   | GENERAL<br>FUND    | CAPITAL<br>PROJECT<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL              |
|---|--------------------|----------------------------|--------------------------------|--------------------|
| <b>Receipts</b>                               |                    |                            |                                |                    |
| Library and Local Government Support          | \$1,412,969        | \$0                        | \$0                            | \$1,412,969        |
| Intergovernmental                             | 2,170              | 0                          | 0                              | 2,170              |
| Patron, Fines and Fees                        | 65,771             | 0                          | 0                              | 65,771             |
| Contributions, Gifts and Donations            | 41,925             | 0                          | 0                              | 41,925             |
| Earnings on Investments                       | 144,028            | 0                          | 0                              | 144,028            |
| Miscellaneous                                 | 2,068              | 0                          | 0                              | 2,068              |
| <b>Total Receipts</b>                         | <b>1,668,931</b>   | <b>0</b>                   | <b>0</b>                       | <b>1,668,931</b>   |
| <b>Disbursements</b>                          |                    |                            |                                |                    |
| Current:                                      |                    |                            |                                |                    |
| Library Services                              | 1,329,857          | 0                          | 1,000                          | 1,330,857          |
| Capital Outlay                                | 49,475             | 0                          | 0                              | 49,475             |
| <b>Total Disbursements</b>                    | <b>1,379,332</b>   | <b>0</b>                   | <b>1,000</b>                   | <b>1,380,332</b>   |
| Excess of Receipts Over (Under) Disbursements | 289,599            | 0                          | (1,000)                        | 288,599            |
| Other Financing Sources (Uses)                |                    |                            |                                |                    |
| Sale of Fixed Assets                          | 94,000             | 0                          | 0                              | 94,000             |
| Transfers In                                  | 0                  | 0                          | 256                            | 256                |
| Transfers Out                                 | (256)              | 0                          | 0                              | (256)              |
| <b>Total Other Financing Sources (Uses)</b>   | <b>93,744</b>      | <b>0</b>                   | <b>256</b>                     | <b>94,000</b>      |
| Net Change in Fund Balances                   | 383,343            | 0                          | (744)                          | 382,599            |
| Fund Balances Beginning of Year               | 2,065,452          | 334,313                    | 78,699                         | 2,478,464          |
| Fund Balances End of Year                     | <u>\$2,448,795</u> | <u>\$334,313</u>           | <u>\$77,955</u>                | <u>\$2,861,063</u> |

See accompanying notes to the basic financial statements



**HIGHLAND COUNTY DISTRICT LIBRARY  
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
|  | Original           | Final              | Actual             |   |
| <b>Receipts</b>                                      |                    |                    |                    |   |
| Library and Local Government Support                 | \$1,412,969        | \$1,412,969        | \$1,412,969        | \$0   |
| Intergovernmental                                    | 0                  | 0                  | 2,170              | 2,170   |
| Patron, Fines and Fees                               | 43,500             | 43,500             | 65,771             | 22,271  |
| Contributions, Gifts and Donations                   | 1,000              | 1,000              | 41,925             | 40,925  |
| Earnings on Investments                              | 55,000             | 55,000             | 144,028            | 89,028  |
| Miscellaneous  | 1,000              | 1,000              | 2,068              | 1,068   |
| <i>Total receipts</i>                                | <u>1,513,469</u>   | <u>1,513,469</u>   | <u>1,668,931</u>   | <u>155,462</u>  |
| <b>Disbursements</b>                                 |                    |                    |                    |   |
| Current:   |                    |                    |                    |   |
| Library Services                                     | 1,620,500          | 1,630,000          | 1,329,857          | 300,143   |
| Capital Outlay                                       | 50,000             | 75,000             | 49,475             | 25,525  |
| <i>Total Disbursements</i>                           | <u>1,670,500</u>   | <u>1,705,000</u>   | <u>1,379,332</u>   | <u>325,668</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(157,031)</u>   | <u>(191,531)</u>   | <u>289,599</u>     | <u>481,130</u>  |
| <b>Other Financing Sources (Uses)</b>                |                    |                    |                    |   |
| Sale of Fixed Assets                                 | 0                  | 0                  | 94,000             | 94,000  |
| Transfers Out  | (250)              | (256)              | (256)              | 0   |
| Other Financing Uses                                 | (50,123)           | (50,123)           | 0                  | 50,123  |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(50,373)</u>    | <u>(50,379)</u>    | <u>93,744</u>      | <u>144,123</u>  |
| <i>Net Change in Fund Balance</i>                    | <u>(207,404)</u>   | <u>(241,910)</u>   | <u>383,343</u>     | <u>625,253</u>  |
| <i>Fund Balance Beginning of Year</i>                | 2,065,572          | 2,065,572          | 2,065,452          | (120)   |
| <i>Fund Balance End of Year</i>                      | <u>\$1,858,168</u> | <u>\$1,823,662</u> | <u>\$2,448,795</u> | <u>\$625,133</u>  |

See accompanying notes to the basic financial statements

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## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 1 – Description of the Library and Reporting Entity**

The Highland County District Library was organized as a district public library in 1878 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed either by the Highland County Commissioners, or in some instances, the Judge of the Common Pleas Court of Highland County. 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 that of the Clerk-Treasurer.

The Library is fiscally independent of the Board, although the Board serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees.

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 Highland County District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or 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.

#### **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 present the governmental activities of the Library which generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

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 and grants and contributions

# HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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## **Note 2 - Summary of Significant Accounting Policies (Continued)**

### Government-wide Financial Statements

restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

### Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental 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.

### 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:

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.

Building and Repair Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

The other governmental funds of the Library account for grants and other resources whose use is restricted to a particular purpose.

### C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **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 to be received during 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 revenue are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

#### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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 2006 the Library had no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amounted to \$144,028 which includes \$1,211 assigned from other Library funds (Helen Lemon Trust Fund)

#### **F. Accumulated Leave**

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

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 2 - Summary of Significant Accounting Policies (Continued)**

#### **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.

#### **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. Net assets restricted for other purposes include resources restricted for the purchase of books.

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. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter fund transfers. Inter fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

### **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 for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no material encumbrances outstanding at year end.

### **Note 4 - Deposits**

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 on 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.

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 4 – Deposits (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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 purchase 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 (STAR Ohio).

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

Custodial credit risk is the risk that in the event of bank failure, the Library's deposits may not be returned to it. Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of Library funds shall be required to pledge eligible securities as security for repayment of all public moneys.

The Library has no deposit policy for custodial credit risk. At year end, \$2,806,026 of the Library's bank balances was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 5 – 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 2006, 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> |
|-------------------------------------|-------------------------|-----------------|
| Wilkin & Wilkin Insurance Company 1 | Commercial Property     | \$4,627,500     |
|                                     | Personal Property       |                 |
| France & Associates                 | General Liability       | \$4,105,000     |
|                                     | Commercial Crime        | \$10,000        |
|                                     | Inland Marine           | \$175,000       |
|                                     | Vehicle                 | \$1,000,000     |
| France & Associates                 | Errors and Omissions    | \$1,000,000     |
| France & Associates                 | Library Officials       |                 |
|                                     | Fidelity and Deposit    |                 |

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 6 - Library and Local Government Support Fund**

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 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.



## HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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### **Note 7 Defined Benefit Pension Plan (Continued)**

OPERS provide 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, 2006 the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 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, 2006, 2005, and 2004 were \$92,669, \$93,068 and \$84,444 respectively; the full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$92,668 made by the Library and \$60,878 made by the plan members.

### **Note 8- Post Employment 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$92,668. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**HIGHLAND COUNTY DISTRICT LIBRARY**

*Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006*

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**Note 8– Post Employment Benefits (Continued)**

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



# Mary Taylor, CPA

Auditor of State

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

Highland County District Library  
Highland County  
10 Willettsville Pike  
Hillsboro, Ohio 45133

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 11, 2008, wherein, we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted the United States of America. We also noted 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

#### **Compliance and Other Matters**

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

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

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

**Mary Taylor, CPA**  
Auditor of State

August 11, 2008



**Mary Taylor, CPA**  
Auditor of State

HIGHLAND COUNTY DISTRICT LIBRARY

HIGHLAND 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  
SEPTEMBER 9, 2008