



Mary Taylor, CPA
Auditor of State

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| 2009 Government-wide Financial Statements: | |
| Statement of Net Assets – Cash Basis as of December 31, 2009..... | 11 |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2009 | 12 |
| 2009 Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2009 | 13 |
| Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2009 | 14 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2009 | 15 |
| 2008 Government-wide Financial Statements: | |
| Statement of Net Assets – Cash Basis as of December 31, 2008..... | 16 |
| Statement of Activities – Cash Basis For the Year Ended December 31, 2008 | 17 |
| 2008 Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances –Governmental Funds as of December 31, 2008 | 18 |
| Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2008 | 19 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2008 | 20 |
| Notes to the Basic Financial Statements | 21 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 29 |

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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 the Highland County District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2009 and 2008, 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 Government 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Highland County District Library, Highland County, Ohio, as of December 31, 2009 and 2008, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the years 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 March 23, 2010, 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.

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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

March 23, 2010

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

This discussion and analysis of the Highland County District Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2009 and 2008 within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 and 2008 are as follows:

This year has been challenging for library systems throughout Ohio. The funding for all libraries has been cut while circulation has reached its highest level here at The Highland County District Library. Our system checked out a total of 699,007 items in 2009. This is an increase of 29,553 items from 2008, or 4.50%. The library in Hillsboro checked out a total of 377,323 items, 54% of the total circulation. Greenfield Branch checked out 21%, Lynchburg 13%, and Leesburg 12%.

Net assets for all funds of the Highland County District Library activities increased \$88,569 from the prior year or 3.0%. This is not what we predicted for year end 2009 as Library Funding throughout Ohio has been significantly reduced. Our entity has scrutinized every appropriation line during 2009 with our goal to reduce the impact to the amount of cash on hand. Our interest earnings have helped to soften the impact of the Public Library Fund reduction. 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 2009. The amount of money in the Building & Repair Fund was decreased by one payment of professional services to architectural firm, McCarty & Associates. This firm has designed the new Hillsboro/Main Library, and will over-see construction if we ever have the resources to build our new facility.

The Library's general receipts are primarily Library and Local Government Support Fund (LLGSF). These receipts represent respectively \$1,142,690 or 84.4% of the total cash received for governmental activities during 2009 and \$1,390,165 or 85.8% during 2008. The LLGSF receipts for 2009 were reduced from the 2008 amount and will be reduced for 2010. The Ohio Library Council has advised all Library systems that 2009 and 2010 will be years of diminishing revenues for the State, and that all entities should be looking at all areas of spending that could be cut. The Library Board and Director have strived to maintain the facilities at all Library locations, to continue to provide the public with internet access, and with a current selection of library materials. We have done this while our funding has been steadily decreasing.

With concern over diminishing revenues, Director Jennifer West, and the Board implemented a reduction in hours in June, 2008. Our total reduction of hours for the system was 44 hours weekly. This decision was not made lightly. Our entity has considered reducing hours of operation again due to the economic climate within Ohio. At this time the Board has chosen to try and maintain our current hours of operation.

The re-zoning of the present Hillsboro Library has been changed. Director Jennifer West and Board members met not only with Hillsboro Mayor Dick Zink and Safety Service Director Ralph Holt, but also with the Zoning Committee. In May, the Committee officially changed the zoning of the 10 Willettsville Pike property from Residential "A" to "B". This change will allow a professional office to be opened at this site. This decision will create a greater number of potential buyers for this property. The former zoning of this location would only allow a school, museum, church or library to utilize this property. Had the zoning not been changed, the present Library site would have been worth a fraction of its true real estate market value.

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

Plans have been completed for the new main Library at Hillsboro. McCarty Associates is the architectural firm designing the new Library. It will be located on the site of the former Lowell Chaney property on South High Street. The Board has not yet determined when construction will begin on this project due to the economic instability within the State, and locally, the closing of the largest employer in this area, DHL and businesses that have closed throughout this county. Highland County has seen the highest rate of unemployment of all the 88 counties in Ohio. Construction of the new facility would have been completed had our income not been reduced, and the LLGSF for 2010 looks bleaker than that of 2009. Ironically, due to this plant closing and other lay-offs throughout the state, our libraries are seeing increased circulation and demand for our services. At the Hillsboro Library, due to demand we have expanded from 11 public access internet computers to 17. Statistics for circulation show that the greatest increase within Highland County is at Hillsboro, up 11%. Circulation has actually decreased at both Greenfield and Lynchburg branch locations. There is a true need for a new Library at Hillsboro.

The circulation of the entire system increased 4.50% in 2009. Highland County has been impacted adversely with the closing of the DHL facility in Wilmington, Ohio and other closings within the County. Our public internet is being used extensively for patrons seeking employment, filing claims and updating resumes. This is in addition to our normal internet usage. Our Director is committed to helping the public during this economic crisis.

No salary or cost of living raises were implemented in 2009, and none are expected in 2010. Where an employee has retired or quit, we have only hired when absolutely necessary. Our number of employees is the lowest count it has been for a number of years. Ironically, our circulation, especially at the Hillsboro Library has increased substantially.

In 2009 the Library continued to upgrade our Public Access System. We have been able to provide excellent computer service to the public. We have installed wireless internet at all Library locations within our Highland County System. High speed public Internet Service is the one service that many residents of Highland county are unable to provide for themselves.

At this date, our entity has no debt issues. Our Board and Director continue to control our spending. We have not budgeted for increases in any area for 2010, and have, in fact, reduced the amount of library materials that we are purchasing. The Board has only started to think about constructing the new Main Library. We have only added increases in spending where absolutely necessary.

The Library system continues to provide excellent programming throughout the County. We currently provide an excellent summer reading program to all children, young people and adults throughout the county. There were 12,709 adults, children and young adults that signed up or attended our programs. During 2009, 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. In 2009, 416 children participated in this program.

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'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

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 2009 and 2008, 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 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 pooled cash and cash equivalents 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 or business-type activity 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

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

condition of the Library's capital assets and physical plant, the reliance on non-local financial resources for operating and the possible need for major local revenue sources such as taxes.

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 fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 on cash basis:

| (Table 1) | | |
|--|-------------------------|--------------------|
| Net Assets | | |
| | Governmental Activities | |
| | 2009 | 2008 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,965,425 | \$2,876,856 |
| | | |
| Total Assets | <u>\$2,965,425</u> | <u>\$2,876,856</u> |
| | | |
| Net Assets | | |
| Restricted for: | | |
| Permanent Fund - NonExpendable | \$7,000 | \$7,000 |
| Permanent Fund - Expendable | 1,908 | 1,753 |
| Capital Outlay | 57,528 | 59,528 |
| Other Purposes | 69,743 | 69,742 |
| Unrestricted | 2,829,246 | 2,738,832 |
| Total Net Assets | <u>\$2,965,425</u> | <u>\$2,876,855</u> |
| | | |

As mentioned previously, net assets of governmental activities increased \$88,569 during 2009. The primary reason contributing to the increase in the cash balance is due to our controlled spending. We strive to provide current library materials requested by the public; however, we also utilize our

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

participation with Southeastern Ohio Library Consortium (SEO), which allows us to borrow materials from other libraries. We also ship our materials to these same libraries that are within SEO. Some other factors that allowed our entity to increase our cash balances are as follows:

- Salaries did not increase in 2009. Actually, our payroll expenditures, which are the main expense for our entity, were decreased in 2009. We have not re-placed several positions within our system due to budget constraints. Our budget for 2010 is similar to our past budgets. The Director and Fiscal Officer have appropriated year end amounts that were actually spent in 2009 in most expenditure lines. At this time the Board of Directors has not determined the time line for construction of the new Hillsboro Library.

The Library reduced the purchase of library materials in 2009, as well as capital expenditures. We also reduced the amount of monies spent towards programming.

Table 2 reflects the changes in net assets in 2009 and 2008.

| | Governmental Activities | | |
|---------------------------------------|----------------------------|--------------------|--------------------|
| | 2009 | 2008 | 2007 |
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services and Sales | \$62,515 | \$68,020 | 67,294 |
| Operating Grants and Contributions | 4,450 | 0 | 2,025 |
| Total Program Receipts | <u>66,965</u> | <u>68,020</u> | <u>69,319</u> |
| General Receipts: | | | |
| Library and Local Government Support | 1,142,690 | 1,390,165 | 1,412,969 |
| Unrestricted Grants and Contributions | 30,047 | 57,981 | 39,104 |
| Interest | 102,984 | 101,715 | 143,573 |
| Miscellaneous | 10,828 | 2,316 | 5,191 |
| Total General Receipts | <u>1,286,549</u> | <u>1,552,177</u> | <u>1,600,837</u> |
| Total Receipts | <u>1,353,514</u> | <u>1,620,197</u> | <u>1,670,156</u> |
| Disbursements: | | | |
| Library Services | 1,248,120 | 1,346,017 | 1,383,063 |
| Capital Outlay | 16,825 | 135,732 | 409,748 |
| Total Disbursements | <u>1,264,945</u> | <u>1,481,749</u> | <u>1,792,811</u> |
| Change in Net Assets | 88,569 | 138,448 | (122,655) |
| Net Assets, Beginning of Year | <u>2,876,856</u> | <u>2,738,408</u> | <u>2,861,063</u> |
| Net Assets, End of Year | <u>\$2,965,425</u> | <u>\$2,876,856</u> | <u>\$2,738,408</u> |

In 2009, program receipts of \$66,965 represent 4.94% percent of total receipts. In 2008, program receipts of \$68,020 represent 4.19% of total receipts. This amount is comprised of Patron Fines, Copy, Fax, and Lost Item Fees.

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

In 2009, general receipts represent 95.1 % percent of the Library's total receipts, and of this amount, 88.8% is from Library and Local Government Support. We received interest of \$102,984 in 2009. This represents approximately 8% of the general receipts. We received \$30,047 in contributions in 2009. This represents approximately 2.3 % of the general receipts. In 2008, general receipts represent 95.8% of the Library's total receipts, and of this amount, 84.6% is from Library and Local Government Support. We received interest of \$101,715 in 2009, this represents 6.6% of general receipts. We received \$57,981 in contributions in 2008, this represents 4% of general receipts. Some of our receipts are unpredictable revenue sources, such as Contributions/Gifts and also our Patron Fines. Our Patron fines amount was actually reduced in the past year. The Library is actually very pleased that our fine money has been reduced. This signifies that our Patrons are returning their items. We have had to enlist the services of a Debt-Collect company as patrons were not returning Library materials. The use of this company's services has proven effective. Disbursements represent the overhead costs of running the Library and the support services provided. These disbursements include salaries, library materials, purchased services, utilities, maintenance of all facilities, and capital outlay. We are now within a Library Consortium, which is the SEO System. 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. Each year the volume of our shipping in/out continues to increase substantially at every library location. It is a great resource for library systems of our size. It allows us to utilize our monies to purchase other materials that our patrons request.

Disbursements in 2009 toward capital outlay were less than those in 2008 due to engineering costs for the new library in 2008.

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)

| Governmental Activities | | | | |
|--------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services 2009 | Net Cost of Services 2009 | Total Cost of Services 2008 | Net Cost of Services 2008 |
| Library Services | \$1,248,120 | (\$1,181,155) | \$1,346,017 | (\$1,277,997) |
| Capital Outlay | 16,825 | (16,825) | 135,732 | (135,732) |
| Total Expenses | \$1,264,945 | (\$1,197,980) | \$1,481,749 | (\$1,413,729) |

The dependence upon Library and Local Government Support Funding is apparent as over 94% of governmental activities in both years are supported through these general receipts.

HIGHLAND COUNTY DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008
(Unaudited)

The Library Funds

In 2009, Library funds had total receipts of \$1,353,514 and total disbursements of \$1,264,945. In 2008, Library funds had total receipts of \$1,620,197 and total disbursements of \$1,481,749. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$90,414 in 2009 and \$233,183 in 2008. Our expenses in every appropriation line were as budgeted with the exception of the repair to the Lynchburg Branch heating and air system. We decreased the amount of our spending most significantly in the amount of library materials we purchased. Most of our costs: utilities, property insurance, building supplies, maintenance of facilities, health coverage for our employees, supplies to process library materials and computer supplies, are simply areas where we cannot cut costs. We will continue to scrutinize expenditures in 2010.

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 2009 and 2008 amendments to the Library's General Fund budget were insignificant. In 2009, the Library had budgeted \$1,494,450 in revenues. Our actual revenue amount was \$1,353,359. Our LLGSF was cut from \$1,390,165 to \$1,142,690 or \$247,475 less than anticipated. In 2008, the Library had budgeted \$1,576,769 in revenues. Our actual revenue amount was \$1,620,032.

In 2009, final disbursements were budgeted at \$1,782,160 while actual disbursements were \$1,262,945. In 2008, final disbursements were budgeted at \$1,847,035 while actual disbursements were \$1,386,849. The Library kept spending as close to the budgeted amounts as was possible. We will need to continue to upgrade our Computer system. We have provided the Public with Internet access at all facilities along with wireless internet. 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 shrinking, funding. We rely heavily on LLGSF. We are currently financially sound. We 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 Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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, 2009

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,965,425 |
| <i>Total Assets</i> | <u><u>\$2,965,425</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$57,528 |
| Permanent Fund: PURCHASE OF BOOKS | |
| Expendable | 1,908 |
| Nonexpendable | 7,000 |
| Other Purposes | 69,743 |
| Unrestricted | 2,829,246 |
| <i>Total Net Assets</i> | <u><u>\$2,965,425</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2009*

| | <u>Program Cash Receipts</u> | | | <u>Net (Disbursements) Receipts and Change in Net Assets</u> |
|--------------------------------------|-------------------------------|---|---|--|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental Activities | | | | |
| Library Services | \$1,248,120 | \$62,515 | \$4,450 | (\$1,181,155) |
| Capital Outlay | <u>16,825</u> | <u>0</u> | <u>0</u> | <u>(16,825)</u> |
| <i>Total Governmental Activities</i> | <u>\$1,264,945</u> | <u>\$62,515</u> | <u>\$4,450</u> | <u>(1,197,980)</u> |
| General Receipts | | | | |
| Library and Local Government Support | | | | 1,142,690 |
| Unrestricted Gifts and Contributions | | | | 30,047 |
| Earnings on Investments | | | | 102,984 |
| Miscellaneous | | | | <u>10,828</u> |
| <i>Total General Receipts</i> | | | | <u>1,286,549</u> |
| Change in Net Assets | | | | 88,569 |
| <i>Net Assets Beginning of Year</i> | | | | <u>2,876,856</u> |
| <i>Net Assets End of Year</i> | | | | <u><u>\$2,965,425</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2009

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,829,246 | \$136,179 | \$2,965,425 |
| <i>Total Assets</i> | <u>\$2,829,246</u> | <u>\$136,179</u> | <u>\$2,965,425</u> |
| Fund Balances | | | |
| Unreserved: | | | |
| Undesignated (Deficit), Reported in: | | | |
| General Fund | \$2,829,246 | \$0 | \$2,829,246 |
| Special Revenue Funds | 0 | 69,743 | 69,743 |
| Capital Projects Funds | 0 | 57,528 | 57,528 |
| Permanent Fund | 0 | 8,908 | 8,908 |
| <i>Total Fund Balances</i> | <u>\$2,829,246</u> | <u>\$136,179</u> | <u>\$2,965,425</u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL |
|--|--------------------|--------------------------------|--------------------|
| Receipts | | | |
| Library and Local Government Support | \$1,142,690 | \$0 | \$1,142,690 |
| Intergovernmental | 4,450 | 0 | 4,450 |
| Patron, Fines and Fees | 62,515 | 0 | 62,515 |
| Contributions, Gifts and Donations | 30,047 | 0 | 30,047 |
| Earnings on Investments | 102,829 | 155 | 102,984 |
| Miscellaneous | 10,828 | 0 | 10,828 |
| Total Receipts | 1,353,359 | 155 | 1,353,514 |
| Disbursements | | | |
| Current: | | | |
| Library Services | 1,248,120 | 0 | 1,248,120 |
| Capital Outlay | 14,825 | 2,000 | 16,825 |
| Total Disbursements | 1,262,945 | 2,000 | 1,264,945 |
| Net Change in Fund Balances | 90,414 | (1,845) | 88,569 |
| Fund Balances Beginning of Year | 2,738,832 | 138,024 | 2,876,856 |
| Fund Balances End of Year | \$2,829,246 | \$136,179 | \$2,965,425 |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2009*

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Library and Local Government Support | \$1,356,450 | \$1,356,450 | \$1,142,690 | (\$213,760) |
| Intergovernmental | 0 | 0 | 4,450 | 4,450 |
| Patron, Fines and Fees | 61,000 | 61,000 | 62,515 | 1,515 |
| Contributions, Gifts and Donations | 1,000 | 1,000 | 30,047 | 29,047 |
| Earnings on Investments | 75,000 | 75,000 | 102,829 | 27,829 |
| Miscellaneous | 1,000 | 1,000 | 10,828 | 9,828 |
| <i>Total receipts</i> | <u>1,494,450</u> | <u>1,494,450</u> | <u>1,353,359</u> | <u>(141,091)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services | 1,647,000 | 1,655,000 | 1,248,120 | 406,880 |
| Capital Outlay | 75,000 | 75,000 | 14,825 | 60,175 |
| <i>Total Disbursements</i> | <u>1,722,000</u> | <u>1,730,000</u> | <u>1,262,945</u> | <u>467,055</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(227,550)</u> | <u>(235,550)</u> | <u>90,414</u> | <u>325,964</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (500) | (500) | 0 | 500 |
| Other Financing Uses | (51,660) | (51,660) | 0 | 51,660 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(52,160)</u> | <u>(52,160)</u> | <u>0</u> | <u>52,160</u> |
| <i>Net Change in Fund Balance</i> | (279,710) | (287,710) | 90,414 | 378,124 |
| <i>Unencumbered Cash Balance Beginning of Year</i> | <u>2,738,832</u> | <u>2,738,832</u> | <u>2,738,832</u> | <u>0</u> |
| <i>Unencumbered Cash Balance End of Year</i> | <u>\$2,459,122</u> | <u>\$2,451,122</u> | <u>\$2,829,246</u> | <u>\$378,124</u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

Statement of Net Assets - Cash Basis

December 31, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,876,856 |
| <i>Total Assets</i> | <u><u>\$2,876,856</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | \$59,528 |
| Permanent Fund: PURCHASE OF BOOKS | |
| Expendable | 1,753 |
| Nonexpendable | 7,000 |
| Other Purposes | 69,743 |
| Unrestricted | 2,738,832 |
| <i>Total Net Assets</i> | <u><u>\$2,876,856</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2008*

| | Cash Disbursements | Program Cash Receipts | Net (Disbursements) Receipts and Changes in Net Assets |
|--------------------------------------|-----------------------|--------------------------------------|--|
| | | Charges for Services and Sales | Governmental Activities |
| Governmental Activities | | | |
| Library Services | \$1,346,017 | \$68,020 | (\$1,277,997) |
| Capital Outlay | 135,732 | 0 | (135,732) |
| <i>Total Governmental Activities</i> | <u>\$1,481,749</u> | <u>\$68,020</u> | <u>(1,413,729)</u> |
| General Receipts | | | |
| Local Library Government Support | | | 1,390,165 |
| Unrestricted Gifts and Contributions | | | 57,981 |
| Earnings on Investments | | | 101,715 |
| Miscellaneous | | | 2,316 |
| <i>Total General Receipts</i> | | | <u>1,552,177</u> |
| Change in Net Assets | | | 138,448 |
| <i>Net Assets Beginning of Year</i> | | | <u>2,738,408</u> |
| <i>Net Assets End of Year</i> | | | <u><u>\$2,876,856</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2008

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------------------|--------------------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,738,832 | \$138,024 | \$2,876,856 |
| <i>Total Assets</i> | <u>\$2,738,832</u> | <u>\$138,024</u> | <u>\$2,876,856</u> |
| Fund Balances | | | |
| Unreserved: | | | |
| Undesignated (Deficit), Reported in: | | | |
| General Fund | \$2,738,832 | \$0 | \$2,738,832 |
| Special Revenue Funds | 0 | 69,743 | 69,743 |
| Capital Projects Funds | 0 | 59,528 | 59,528 |
| Permanent Fund | 0 | 8,753 | 8,753 |
| <i>Total Fund Balances</i> | <u>\$2,738,832</u> | <u>\$138,024</u> | <u>\$2,876,856</u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL |
|--|---------------------------|--------------------------------|---------------------------|
| Receipts | | | |
| Library and Local Government Support | \$1,390,165 | \$0 | \$1,390,165 |
| Patron, Fines and Fees | 68,020 | 0 | 68,020 |
| Contributions, Gifts and Donations | 57,981 | 0 | 57,981 |
| Earnings on Investments | 101,550 | 165 | 101,715 |
| Miscellaneous | 2,316 | 0 | 2,316 |
| Total Receipts | <u>1,620,032</u> | <u>165</u> | <u>1,620,197</u> |
| Disbursements | | | |
| Current: | | | |
| Library Services | 1,346,017 | 0 | 1,346,017 |
| Capital Outlay | 40,832 | 94,900 | 135,732 |
| Total Disbursements | <u>1,386,849</u> | <u>94,900</u> | <u>1,481,749</u> |
| Excess of Receipts Over (Under) Disbursement | <u>233,183</u> | <u>(94,735)</u> | <u>138,448</u> |
| Net Change in Fund Balances | 233,183 | (94,735) | 138,448 |
| Fund Balances Beginning of Year | <u>2,505,649</u> | <u>232,759</u> | <u>2,738,408</u> |
| Fund Balances End of Year | <u><u>\$2,738,832</u></u> | <u><u>\$138,024</u></u> | <u><u>\$2,876,856</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND CO LIBRARY, HIGHLAND COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008*

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|---------------------------|---|
| | Original | Final | Actual | |
| Receipts | | | | |
| Library and Local Government Support | \$1,412,969 | \$1,412,969 | \$1,390,165 | (\$22,804) |
| Patron, Fines and Fees | 61,800 | 61,800 | 68,020 | 6,220 |
| Contributions, Gifts and Donations | 1,000 | 1,000 | 57,981 | 56,981 |
| Earnings on Investments | 100,000 | 100,000 | 101,550 | 1,550 |
| Miscellaneous | 1,000 | 1,000 | 2,316 | 1,316 |
| <i>Total receipts</i> | <u>1,576,769</u> | <u>1,576,769</u> | <u>1,620,032</u> | <u>43,263</u> |
| Disbursements | | | | |
| Current: | | | | |
| Library Services | 1,709,000 | 1,718,000 | 1,346,017 | 371,983 |
| Capital Outlay | 75,000 | 75,000 | 40,832 | 34,168 |
| <i>Total Disbursements</i> | <u>1,784,000</u> | <u>1,793,000</u> | <u>1,386,849</u> | <u>406,151</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(207,231)</u> | <u>(216,231)</u> | <u>233,183</u> | <u>449,414</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (500) | (500) | 0 | 500 |
| Advances In | 0 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | 0 |
| Other Financing Sources | 0 | 0 | 0 | 0 |
| Other Financing Uses | <u>(53,535)</u> | <u>(53,535)</u> | <u>0</u> | <u>53,535</u> |
| <i>Total Other Financing Sources (Uses)</i> | <u>(54,035)</u> | <u>(54,035)</u> | <u>0</u> | <u>54,035</u> |
| <i>Net Change in Fund Balance</i> | <u>(261,266)</u> | <u>(270,266)</u> | <u>233,183</u> | <u>503,449</u> |
| <i>Unencumbered Cash Balance Beginning of Year</i> | <u>2,505,649</u> | <u>2,505,649</u> | <u>2,505,649</u> | <u>0</u> |
| <i>Unencumbered Cash Balance End of Year</i> | <u><u>\$2,244,383</u></u> | <u><u>\$2,235,383</u></u> | <u><u>\$2,738,832</u></u> | <u><u>\$503,449</u></u> |

See accompanying notes to the basic financial statements

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008*

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.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 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.

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The 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 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 library and local government support, 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 is the Library's major governmental fund:

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.

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

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies (Continued)

During 2009 and 2008 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 2009 amounted to \$102,829. Interest revenue credited to the general fund during 2008 amount to \$101,550.

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.

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 post-employment 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.

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

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.

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.
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).
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

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 4 – Deposits (Continued)

Deposits

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 beyond the requirements of state statute. 100% of the Library's bank balance of \$2,958,425 was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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 2009 and 2008, 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 | \$4,951,500 |
| | Personal Property | |
| | 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 |
| | Fidelity and Deposit | |
| | Library Officials | |

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 Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The PLF is allocated to each county based on the county's prior intangibles tax of PLF 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.

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 7 Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans as well as post-employment health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care coverage. 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 years ended December 31, 2009 and 2008 the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2009 and 2008 was 14.00 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, 2009, 2008, and 2007 were \$96,267, \$98,703 and \$100,695 respectively; the full amount has been contributed for 2009, 2008, and 2007. Contributions to the member-directed plan for 2009 were \$96,267 made by the Library and \$68,762 made by the plan members.

Note 8– Post Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care based on authority granted by State statute. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 local government employer contribution rate was 14.00 percent of covered payroll. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 1, and 5.50% from April 1 through December 31, 2009.

HIGHLAND COUNTY DISTRICT LIBRARY

*Notes to the Basic Financial Statements
For the Years Ended December 31, 2009 and 2008
(Continued)*

Note 8– Post Employment Benefits (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2008, 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% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 3% for the next 6 years. In subsequent years (7 and beyond) health care costs were assumed to increase at 4% (the projected inflation rate.)

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

The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2009, actual valuation was 356,388. Actual employer contributions for 2009 which were used to fund all post-employment benefits were \$29,745. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2009 were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to health care. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10 – Related Party

The Library hired Weller's Plumbing & Heating Inc., for repairs and maintenance to the Library's air conditioning and heating system. This business is owned by Trustee, Stephen Hunter. The air conditioning and heating system was installed by Weller's Plumbing & Heating several years before Mr. Hunter became a board member. The Library paid Weller's Plumbing and Heating Inc., \$917 in 2009 and \$1,860 in 2008.



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 the Highland County District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 23, 2010, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated March 23, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2010



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
APRIL 8, 2010**