



Dave Yost • Auditor of State

**HIGHLAND DISTRICT LIBRARY
HIGHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the 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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Highland County District Library, Highland County, Ohio, as of December 31, 2015 and 2014, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2016

Highland County District Library
Highland County
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$3,281,245</u>
<i>Total Assets</i>	<u><u>\$3,281,245</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$57,528
Permanent Fund: Purchase of books	
Expendable	2,188
Nonexpendable	7,000
Other Purposes	69,743
Unrestricted	<u>3,144,786</u>
<i>Total Net Position</i>	<u><u>\$3,281,245</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, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Library Services	\$1,112,598	\$34,508	\$18	(\$1,078,072)
Capital Outlay	13,535	0	0	(13,535)
<i>Total Governmental Activities</i>	<u>\$1,126,133</u>	<u>\$34,508</u>	<u>\$18</u>	<u>(1,091,607)</u>
General Receipts:				
				1,199,753
				10,232
				16,102
				<u>3,463</u>
				<u>1,229,550</u>
				137,943
				<u>3,143,302</u>
				<u>\$3,281,245</u>

See accompanying notes to the basic financial statements

Highland County District Library
Highland County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,144,786	\$136,459	\$3,281,245
<i>Total Assets</i>	<u><u>\$3,144,786</u></u>	<u><u>\$136,459</u></u>	<u><u>\$3,281,245</u></u>
Fund Balances			
Nonspendable		\$7,000	\$7,000
Restricted		2,188	2,188
Committed	\$0	127,271	127,271
Assigned	0	0	0
Unassigned	<u>3,144,786</u>	<u>0</u>	<u>3,144,786</u>
<i>Total Fund Balances</i>	<u><u>\$3,144,786</u></u>	<u><u>\$136,459</u></u>	<u><u>\$3,281,245</u></u>

See accompanying notes to the basic financial statements

Highland County District Library

Highland County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis

Governmental Funds

For the Year Ended December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Receipts			
Property and Other Local Taxes	\$1,199,753	\$0	\$1,199,753
Patron Fines and Fees	34,508	0	34,508
Contributions, Gifts and Donations	10,232	0	10,232
Earnings on Investments	16,102	18	16,120
Miscellaneous	3,463	0	3,463
	<u> </u>	<u> </u>	<u> </u>
<i>Total Receipts</i>	1,264,058	18	1,264,076
	<u> </u>	<u> </u>	<u> </u>
Disbursements			
Current:			
Library Services	1,112,598	0	1,112,598
Capital Outlay	13,535	0	13,535
	<u> </u>	<u> </u>	<u> </u>
<i>Total Disbursements</i>	1,126,133	0	1,126,133
	<u> </u>	<u> </u>	<u> </u>
<i>Net Change in Fund Balances</i>	137,925	18	137,943
	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balances Beginning of Year</i>	3,006,861	136,441	3,143,302
	<u> </u>	<u> </u>	<u> </u>
<i>Fund Balances End of Year</i>	\$3,144,786	\$136,459	\$3,281,245
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to the basic financial statements

Highland County District 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,071,275	\$1,071,275	\$1,199,753	\$128,478
Patron Fines and Fees	45,000	45,000	34,508	(10,492)
Contributions, Gifts and Donations	5,000	5,000	10,232	5,232
Earnings on Investments	15,600	15,600	16,102	502
Miscellaneous	1,000	1,000	3,463	2,463
<i>Total Receipts</i>	1,137,875	1,137,875	1,264,058	126,183
Disbursements				
Current:				
Library Services	1,248,535	1,280,035	1,112,598	167,437
Capital Outlay	33,000	33,000	13,535	19,465
<i>Total Disbursements</i>	1,281,535	1,313,035	1,126,133	186,902
<i>Excess of Receipts Over (Under) Disbursements</i>	(143,660)	(175,160)	137,925	313,085
Other Financing Uses				
<i>Total Other Financing Uses</i>	(38,446)	(38,595)	0	38,595
<i>Net Change in Fund Balance</i>	(182,106)	(213,755)	137,925	351,680
<i>Fund Balance Beginning of Year</i>	3,006,861	3,006,861	3,006,861	0
<i>Fund Balance End of Year</i>	\$2,824,755	\$2,793,106	\$3,144,786	\$351,680

See accompanying notes to the basic financial statements

Highland County District Library
Highland County
Statement of Net Position - Cash Basis
December 31, 2014

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	<u>\$3,143,302</u>
<i>Total Assets</i>	<u><u>\$3,143,302</u></u>
 Net Position	
Restricted for:	
Capital Projects	\$57,528
Permanent Fund: Purchase of books	
Expendable	2,170
Unexpendable	7,000
Other Purposed	69,743
Unrestricted	<u>3,006,861</u>
<i>Total Net Position</i>	<u><u>\$3,143,302</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, 2014

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
Governmental Activities			
Current:			
Library Services	\$1,119,864	\$39,932	\$16
Capital Outlay	35,721		(\$1,079,916)
			<u>(35,721)</u>
<i>Total Governmental Activities</i>	<u>\$1,155,585</u>	<u>\$39,932</u>	<u>\$16</u>
		General Receipts:	
		Library and Local Government Support	1,079,796
		Unrestricted Gifts and Contributions	9,052
		Earnings on Investments	15,818
		Miscellaneous	4,803
			<u>4,803</u>
		<i>Total General Receipts</i>	<u>1,109,469</u>
		Change in Net Position	(6,168)
		<i>Net Position Beginning of Year</i>	<u>3,149,470</u>
		<i>Net Position End of Year</i>	<u>\$3,143,302</u>

See accompanying notes to the basic financial statements

Highland County District Library
Highland County
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,006,861	\$136,441	\$3,143,302
<i>Total Assets</i>	<u>\$3,006,861</u>	<u>\$136,441</u>	<u>\$3,143,302</u>
Fund Balances			
Nonspendable		\$7,000	\$7,000
Restricted		2,170	2,170
Committed	\$0	127,271	127,271
Assigned	0	0	0
Unassigned	3,006,861	0	3,006,861
<i>Total Fund Balances</i>	<u>\$3,006,861</u>	<u>\$136,441</u>	<u>\$3,143,302</u>

See accompanying notes to the basic financial statements

Highland County District Library

Highland County

Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis

Governmental Funds

For the Year Ended December 31, 2014

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$1,079,796	\$0	\$1,079,796
Patron Fines and Fees	39,932	0	39,932
Contributions, Gifts and Donations	9,052	0	9,052
Earnings on Investments	15,818	16	15,834
Miscellaneous	4,803	0	4,803
<i>Total Receipts</i>	<u>1,149,401</u>	<u>16</u>	<u>1,149,417</u>
Disbursements			
Current:			
Library Services	1,119,864	0	1,119,864
Capital Outlay	35,721	0	35,721
<i>Total Disbursements</i>	<u>1,155,585</u>	<u>0</u>	<u>1,155,585</u>
<i>Net Change in Fund Balances</i>	(6,184)	16	(6,168)
<i>Fund Balances Beginning of Year</i>	<u>3,013,045</u>	<u>136,425</u>	<u>3,149,470</u>
<i>Fund Balances End of Year</i>	<u>\$3,006,861</u>	<u>\$136,441</u>	<u>\$3,143,302</u>

See accompanying notes to the basic financial statements

Highland District 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$1,083,628	\$1,083,628	\$1,079,796	(\$3,832)
Patron Fines and Fees	40,000	40,000	39,932	(68)
Contributions, Gifts and Donations	5,000	5,000	9,052	4,052
Earnings on Investments	15,600	15,600	15,818	218
Miscellaneous	1,000	1,000	4,803	3,803
<i>Total receipts</i>	<u>1,145,228</u>	<u>1,145,228</u>	<u>1,149,401</u>	<u>4,173</u>
Disbursements				
Current:				
Library Services	1,282,500	1,311,000	1,119,864	191,136
Capital Outlay	33,000	58,000	35,721	22,279
<i>Total Disbursements</i>	<u>1,315,500</u>	<u>1,369,000</u>	<u>1,155,585</u>	<u>213,415</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(170,272)</u>	<u>(223,772)</u>	<u>(6,184)</u>	<u>217,588</u>
Other Financing Uses				
Other Financing Uses	(39,465)	(39,465)	0	39,465
<i>Total Other Financing Uses</i>	<u>(39,465)</u>	<u>(39,465)</u>	<u>0</u>	<u>39,465</u>
<i>Net Change in Fund Balance</i>	(209,737)	(263,237)	(6,184)	257,053
<i>Fund Balance Beginning of Year</i>	3,013,045	3,013,045	3,013,045	(0)
<i>Fund Balance End of Year</i>	<u>\$2,803,308</u>	<u>\$2,749,808</u>	<u>\$3,006,861</u>	<u>\$257,053</u>

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Note 1 – Description of the Library and Reporting Entity

The Highland County District Library (the Library) was organized as a district public library under the laws of the State of Ohio. The Library has its own seven-member Board of Trustees who are appointed either by the Highland County Commissioners, or in some instances, the Judge of 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 Fiscal Officer.

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. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on 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 the Basis of Accounting section of this note, 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. The most significant of the Library's accounting policies are described below.

Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The statement of net position presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a 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.

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 and reports all financial resources not accounted for and reported 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 and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this 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 liabilities and the related expenses) are not recorded in these financial statements.

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. 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.

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, respectively.

During 2015 and 2014 the Library had no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2015 amounted to \$16,102. Interest receipt credited to the general fund during 2014 amounted to \$15,818.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Accumulated Leave

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

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Position

Net position is 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 position 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 position are available.

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 interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary 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 – Change in Accounting Principle

For 2014 and 2015, the Library implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Library's 2014 and 2015 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no material encumbrances outstanding at year end.

Note 5 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 5 – Deposits and Investments (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 held by the Library can 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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (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.

At year end, the Library had \$450 in undeposited cash on hand which is included as part of *"Equity in Pooled Cash and Cash Equivalents"* on the financial statements.

Deposits

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

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 5 – Deposits and Investments (Continued)

100% of the Library’s bank balance for 2015 in the amount of \$3,281,245 and for 2014 in the amount of \$3,143,302 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 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015 and 2014, 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>
Wilkins & Wilkins Insurance Company	Commercial Property	\$4,951,500
	Personsal 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

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

Note 7 – Public Library Fund

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 8 - Defined Benefit Pension Plan

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The Traditional Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2015 and December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2015 and 2014, member and employer contribution rates were consistent across all three plans.

The Library's 2015 and 2014 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2 percent during calendar year 2015 and 2014. Employer contributions rates are actuarially determined.

The Library's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2015, 2014, and 2013 were \$81,920, \$83,374, and \$89,279, respectively the full amount has been contributed for 2015, 2014, and 2013.

Note 9 - Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

**HIGHLAND COUNTY DISTRICT LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 9 - Postemployment Benefits (Continued)

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015 and 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

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 portion of employer contributions allocated to health care for members in the Traditional Plan was 2 percent from during the calendar year 2015 and 2014, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$11,698, \$11,906, and \$12,749, respectively; the full amount has been contributed for 2015, 2014, and 2013.

Note 10 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 10 – Fund Balances (Continued)

2015	Fund Balances	General	Other Governmental Funds	Total
Nonspendable				
Helen Lemon Trust Fund	\$0	\$7,000	\$7,000	\$7,000
<i>Total Nonspendable</i>	<u>0</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Restricted for				
Purchase of Books	0	2,188	2,188	2,188
<i>Total Restricted</i>	<u>0</u>	<u>2,188</u>	<u>2,188</u>	<u>2,188</u>
Committed to				
Building and Repair	0	57,528	57,528	57,528
Technology	0	69,743	69,743	69,743
<i>Total Committed</i>	<u>0</u>	<u>127,271</u>	<u>127,271</u>	<u>127,271</u>
Unassigned (Deficit)	3,144,786	0	3,144,786	3,144,786
<i>Total Fund Balances</i>	<u>\$3,144,786</u>	<u>\$136,459</u>	<u>\$3,281,245</u>	<u>\$3,281,245</u>
2014	Fund Balances	General	Other Governmental Funds	Total
Nonspendable				
Helen Lemon Trust Fund	\$0	\$7,000	\$7,000	\$7,000
<i>Total Nonspendable</i>	<u>0</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
Restricted for				
Purchase of Books	0	2,170	2,170	2,170
<i>Total Restricted</i>	<u>0</u>	<u>2,170</u>	<u>2,170</u>	<u>2,170</u>
Committed to				
Building and Repair	0	57,528	57,528	57,528
Technology	0	69,743	69,743	69,743
<i>Total Committed</i>	<u>0</u>	<u>127,271</u>	<u>127,271</u>	<u>127,271</u>
Unassigned (Deficit)	3,006,861	0	3,006,861	3,006,861
<i>Total Fund Balances</i>	<u>\$3,006,861</u>	<u>\$136,441</u>	<u>\$3,143,302</u>	<u>\$3,143,302</u>

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

Note 11 – Related Party Transactions

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 & Heating Inc., \$9,573 in 2015 and \$6,031 in 2014.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Highland County District Library, Highland County, (the Library) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated February 18, 2016, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2016



Dave Yost • 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
MARCH 17, 2016