



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Highland District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Library as of December 31, 2000 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Highland District Library  
Highland County  
Report of Independent Accountants  
Page 2

This report is intended solely for the information and use of management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 19, 2002

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$1,529,550	\$0	\$0	\$1,529,550
Other Government Grants-In-Aid	76,928			76,928
Patron Fines and Fees	49,664			49,664
Earnings on Investments	134,864			134,864
Contributions, Gifts and Donations	4,405			4,405
Miscellaneous Receipts	11,027		500	11,527
<b>Total Cash Receipts</b>	<u>1,806,438</u>	<u>0</u>	<u>500</u>	<u>1,806,938</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	795,271			795,271
Supplies	26,745			26,745
Purchased and Contracted Services	155,009			155,009
Library Materials and Information	270,739			270,739
Other Objects	6,521			6,521
Capital Outlay	116,424		280,649	397,073
<b>Total Cash Disbursements</b>	<u>1,370,709</u>	<u>0</u>	<u>280,649</u>	<u>1,651,358</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>435,729</u>	<u>0</u>	<u>(280,149)</u>	<u>155,580</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In			545,000	545,000
Transfers-Out	(545,457)			(545,457)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(545,457)</u>	<u>0</u>	<u>545,000</u>	<u>(457)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(109,728)</u>	<u>0</u>	<u>264,851</u>	<u>155,123</u>
<b>Fund Cash Balances, January 1</b>	<u>1,911,475</u>	<u>69,267</u>	<u>267,002</u>	<u>2,247,744</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$1,801,747</u></u>	<u><u>\$69,267</u></u>	<u><u>\$531,853</u></u>	<u><u>\$2,402,867</u></u>

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

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Patron Fees and Fines	\$0
Services Provided to Other Entities	0
Total Operating Cash Receipts	0
<b>Operating Cash Disbursements:</b>	
Current:	
Salaries and Benefits	
Purchased and Contracted Services	
Other Objects	
Capital Outlay	0
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
<b>Non-Operating Cash Receipts:</b>	
Government Grants In Aid	
Proceeds of Bonds	
Proceeds of Notes	
Proceeds from Sales of Property	
Other Non-Operating Receipts	0
Total Non-Operating Cash Receipts	0
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Disbursements	0
Total Non-Operating Cash Disbursements	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	0
Transfers-In	457
Advances-In	
Transfers-Out	
Advances-Out	0
Net Receipts Over/(Under) Disbursements	457
Fund Cash Balances, January 1	7,835
<b>Fund Cash Balances, December 31</b>	<b>\$8,292</b>

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



**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$1,486,684	\$0	\$0	\$1,486,684
Patron Fines and Fees	42,471			42,471
Earnings on Investments	128,157			128,157
Contributions, Gifts and Donations	2,386			2,386
Miscellaneous Receipts	1,219			1,219
Total Cash Receipts	<u>1,660,917</u>	<u>0</u>	<u>0</u>	<u>1,660,917</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Benefits	751,227			751,227
Supplies	22,407			22,407
Purchased and Other Contracted Services	115,749			115,749
Library Materials and Information	248,677			248,677
Other Objects	8,394			8,394
Capital Outlay	95,674		445,567	541,241
Total Cash Disbursements	<u>1,242,128</u>	<u>0</u>	<u>445,567</u>	<u>1,687,695</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>418,789</u>	<u>0</u>	<u>(445,567)</u>	<u>(26,778)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Proceeds from Sales of Property	30,664			30,664
Transfers-Out	(417)			(417)
Total Other Financing Receipts/(Disbursements)	<u>30,247</u>	<u>0</u>	<u>0</u>	<u>30,247</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	449,036	0	(445,567)	3,469
Fund Cash Balances, January 1	<u>1,462,439</u>	<u>69,267</u>	<u>712,569</u>	<u>2,244,275</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,911,475</u></b>	<b><u>\$69,267</u></b>	<b><u>\$267,002</u></b>	<b><u>\$2,247,744</u></b>

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

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Fiduciary Fund Type</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Patron Fees and Fines	\$0
Services Provided to Other Entities	0
Total Operating Cash Receipts	0
<b>Operating Cash Disbursements:</b>	
Current:	
Salaries and Benefits	
Purchased and Contracted Services	
Capital Outlay	0
Total Operating Cash Disbursements	0
Operating Income/(Loss)	0
<b>Non-Operating Cash Receipts:</b>	
Government Grants In Aid	
Proceeds of Bonds	
Proceeds of Notes	
Proceeds from Sales of Property	
Other Non-Operating Receipts	0
Total Non-Operating Cash Receipts	0
<b>Non-Operating Cash Disbursements:</b>	
Other Non-Operating Disbursements	0
Total Non-Operating Cash Disbursements	0
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	0
Transfers-In	417
Advances-In	
Transfers-Out	
Advances-Out	0
Net Receipts Over/(Under) Disbursements	417
Fund Cash Balances, January 1	7,418
<b>Fund Cash Balances, December 31</b>	<b>\$7,835</b>

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

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Highland District Library, Highland County, Ohio (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by Highland County Board of County Commissioners and the Common Pleas Court Judge. The Library provides the community with various educational and literary resources.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). There were no outstanding encumbrances at year end.

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

Technology Fund - established to be used for acquisition and maintenance of equipment, software, and services relating to automation and patron information services.

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant capital projects funds:

Building and Maintenance Fund - established to be used for acquisition, construction, furnishing, improvement, and maintenance of library buildings.

**4. Fiduciary Funds (Nonexpendable Trust Funds)**

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

Helen L. Lemon Library Trust Fund - established for the purchase of fiction, non-fiction, and children's books from proceeds of the investment of the corpus.

**E. Budgetary Process**

The Ohio Administrative Code requires budgeting for each fund annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Administrative Code requires the Library to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no encumbrances outstanding at December 31, 2001 and 2000.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements. Libraries are not required to estimate resources or encumber appropriations.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND DEPOSITS**

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

	2001	2000
Demand deposits	\$1,655,557	\$1,543,852
Certificates of deposit	755,152	711,277
Total deposits	2,410,709	2,255,129
Petty Cash	450	450
Total deposits and petty cash	\$2,411,159	\$2,255,579

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,757,371	\$1,806,438	\$49,067
Capital Projects	545,000	545,500	500
Fiduciary	350	457	107
Total	\$2,302,721	\$2,352,395	\$49,674

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,536,145	\$1,916,166	\$1,619,979
Special Revenue	138,534	0	138,534
Capital Projects	1,079,002	280,649	798,353
Fiduciary	1,835	0	1,835
Total	\$4,755,516	\$2,196,815	\$2,558,701

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,512,898	\$1,691,581	\$178,683
Fiduciary	300	417	117
Total	\$1,513,198	\$1,691,998	\$178,800

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,972,802	\$1,242,545	\$1,730,257
Special Revenue	89,267	0	89,267
Capital Projects	1,212,569	445,567	767,002
Fiduciary	7,418	0	7,418
Total	\$4,282,056	\$1,688,112	\$2,593,944

**4. GRANTS-IN-AID AND TAX RECEIPTS**

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

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

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

**HIGHLAND DISTRICT LIBRARY  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)**

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

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

**5. RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000. The Library has paid all contributions required through December 31, 2001.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Highland District Library has obtained commercial insurance for the following risks:

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

The Library also provides health, dental, vision, and life insurance coverage to employees through private carriers.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Highland District Library, Highland County, Ohio (the Library) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated February 19, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated February 19, 2002.

Highland District Library  
Highland County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

February 19, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**HIGHLAND 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 28, 2002**