



**Auditor of State
Betty Montgomery**

HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY

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Auditor of State Betty Montgomery

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 Highland County District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002. 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.

The Library's financial transactions were processed using 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 conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 and reserves for encumbrances of the Library as of December 31, 2003 and 2002, 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 June 7, 2004 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.

This report is intended solely for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

June 7, 2004

**HIGHLAND COUNTY 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, 2003**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| State Library and Local Government Support | \$1,396,474 | \$0 | \$0 | \$1,396,474 |
| Other Government Grants-In-Aid | 5,085 | | | 5,085 |
| Patron Fines and Fees | 61,115 | | | 61,115 |
| Earnings on Investments | 106,217 | | | 106,217 |
| Contributions, Gifts and Donations | 11,259 | | | 11,259 |
| Miscellaneous Receipts | 2,482 | | | 2,482 |
| | <u>1,582,632</u> | <u>0</u> | <u>0</u> | <u>1,582,632</u> |
| Total Cash Receipts | | | | |
| | <u>1,582,632</u> | <u>0</u> | <u>0</u> | <u>1,582,632</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 779,755 | | | 779,755 |
| Purchased and Contracted Services | 181,143 | | | 181,143 |
| Library Materials and Information | 257,459 | | | 257,459 |
| Supplies | 19,443 | | | 19,443 |
| Other Objects | 3,768 | | | 3,768 |
| Capital Outlay | 67,688 | | 518,422 | 586,110 |
| | <u>1,309,256</u> | <u>0</u> | <u>518,422</u> | <u>1,827,678</u> |
| Total Cash Disbursements | | | | |
| | <u>1,309,256</u> | <u>0</u> | <u>518,422</u> | <u>1,827,678</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>273,376</u> | <u>0</u> | <u>(518,422)</u> | <u>(245,046)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Transfers-In | | | 450,000 | 450,000 |
| Transfers-Out | (450,160) | | | (450,160) |
| | <u>(450,160)</u> | <u>0</u> | <u>450,000</u> | <u>(160)</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| | <u>(450,160)</u> | <u>0</u> | <u>450,000</u> | <u>(160)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(176,784)</u> | <u>0</u> | <u>(68,422)</u> | <u>(245,206)</u> |
| Fund Cash Balances, January 1 | <u>1,738,053</u> | <u>69,267</u> | <u>445,845</u> | <u>2,253,165</u> |
| Fund Cash Balances, December 31 | <u>\$1,561,269</u> | <u>\$69,267</u> | <u>\$377,423</u> | <u>\$2,007,959</u> |
| Reserves for Encumbrances, December 31 | <u>\$7,024</u> | <u>\$0</u> | <u>\$0</u> | <u>7,024</u> |

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

**HIGHLAND COUNTY 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, 2003**

| | Fiduciary Fund Types |
|--|---------------------------------|
| | Nonexpendable Trust |
| Operating Cash Receipts: | \$0 |
| Operating Cash Disbursements: | |
| Current: | |
| Library Materials and Information | 1,000 |
| Total Operating Cash Disbursements | 1,000 |
| Operating Loss | (1,000) |
| Transfers-In | 160 |
| Net Receipts Under Disbursements after transfers | (840) |
| Fund Cash Balances, January 1 | 8,526 |
| Fund Cash Balances, December 31 | \$7,686 |

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

**HIGHLAND COUNTY 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, 2002**

| | <u>Governmental Fund Types</u> | | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| State Library and Local Government Support | \$1,410,720 | \$0 | \$0 | \$1,410,720 |
| Patron Fines and Fees | 55,824 | | | 55,824 |
| Earnings on Investments | 137,168 | | | 137,168 |
| Contributions, Gifts and Donations | 3,607 | | | 3,607 |
| Miscellaneous Receipts | 46,845 | | | 46,845 |
| | <u>1,654,164</u> | <u>0</u> | <u>0</u> | <u>1,654,164</u> |
| Total Cash Receipts | | | | |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Salaries and Benefits | 789,550 | | | 789,550 |
| Purchased and Contracted Services | 139,255 | | | 139,255 |
| Library Materials and Information | 234,624 | | | 234,624 |
| Supplies | 16,719 | | | 16,719 |
| Other Objects | 11,793 | | | 11,793 |
| Capital Outlay | 25,843 | | 586,007 | 611,850 |
| | <u>1,217,784</u> | <u>0</u> | <u>586,007</u> | <u>1,803,791</u> |
| Total Cash Disbursements | | | | |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>436,380</u> | <u>0</u> | <u>(586,007)</u> | <u>(149,627)</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Proceeds from Sales of Property | 161 | | | 161 |
| Transfers-In | | | 500,000 | 500,000 |
| Transfers-Out | (500,235) | | | (500,235) |
| | <u>(500,074)</u> | <u>0</u> | <u>500,000</u> | <u>(74)</u> |
| Total Other Financing Receipts/(Disbursements) | | | | |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (63,694) | 0 | (86,007) | (149,701) |
| Fund Cash Balances, January 1 | <u>1,801,747</u> | <u>69,267</u> | <u>531,852</u> | <u>2,402,866</u> |
| Fund Cash Balances, December 31 | <u>\$1,738,053</u> | <u>\$69,267</u> | <u>\$445,845</u> | <u>\$2,253,165</u> |
| Reserves for Encumbrances, December 31 | <u>\$800</u> | <u>\$0</u> | <u>\$376,658</u> | <u>377,459</u> |

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

HIGHLAND COUNTY 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, 2002

| | <u>Fiduciary Fund Types</u> |
|---|---------------------------------|
| | <u>Nonexpendable Trust</u> |
| Cash Receipts: | |
| Transfers-In | <u>\$235</u> |
| Net Receipts Over/(Under) Disbursements | 235 |
| Fund Cash Balances, January 1 | <u>8,291</u> |
| Fund Cash Balances, December 31 | <u><u>\$8,526</u></u> |

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

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Highland County 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 the 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).

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

C. Cash and Deposits

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 Fund:

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

3. Capital Project 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 project fund:

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

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Board must annually approve appropriation measures and subsequent amendments. Unencumbered 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.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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:

| | <u>2003</u> | <u>2002</u> |
|-------------------------|------------------|------------------|
| Demand deposits | \$2,008,645 | \$2,254,692 |
| Certificates of deposit | 7,000 | 7,000 |
| Total deposits | <u>2,015,645</u> | <u>2,261,692</u> |

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

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,067,663 | \$1,759,416 | \$308,247 |
| Special Revenue | 69,267 | 0 | 69,267 |
| Capital Projects | 519,186 | 518,422 | 764 |
| Fiduciary | 1,000 | 1,000 | 0 |
| Total | <u>\$2,657,116</u> | <u>\$2,278,838</u> | <u>\$378,278</u> |

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,084,871 | \$1,718,019 | \$366,852 |
| Special Revenue | 69,267 | 0 | 69,267 |
| Capital Projects | 1,031,852 | 586,007 | 445,845 |
| Fiduciary | 1,000 | 0 | 1,000 |
| Total | <u>\$3,186,990</u> | <u>\$2,304,026</u> | <u>\$882,964</u> |

4. STATE LIBRARY AND LOCAL GOVERNMENT SUPPORT

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.

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. The Library has paid all contributions required through December 31, 2003.

**HIGHLAND COUNTY DISTRICT LIBRARY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 accompanying financial statements of the Highland County District Library, Highland County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 7, 2004, wherein we noted that the Library's financial transactions were processed using 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 conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated June 7, 2004.

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

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

Betty Montgomery
Auditor of State

June 7, 2004



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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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
JUNE 29, 2004**