



**Auditor of State
Betty Montgomery**

HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2002.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Holmes County District Public Library
Holmes County
3102 Glen Drive
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of the Holmes County District Public Library, Holmes 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. We believe that our audit provides a reasonable basis for our opinion.

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 § 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

As discussed in Note 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 of the Library as of December 31, 2003 and 2002, and its combined cash receipts and disbursements and reserves for encumbrances 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 May 18, 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.

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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.

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

Betty Montgomery
Auditor of State

May 18, 2004

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Government Grants-In-Aid	\$1,262,691	\$24,495			\$1,287,186
Patron Fines and Fees	23,026				23,026
Earnings on Investments	3,286		\$16,656	\$14	19,956
Contributions, Gifts and Donations				6,032	6,032
Miscellaneous Receipts	495				495
Total Cash Receipts	1,289,498	24,495	16,656	6,046	1,336,695
Cash Disbursements:					
Current:					
Salaries and Benefits	826,014				826,014
Purchased and Contracted Services	175,617		44,784		220,401
Other	227,939	120		5,675	233,734
Capital Outlay	4,024	28,561	29,941		62,526
Total Cash Disbursements	1,233,594	28,681	74,725	5,675	1,342,675
Total Cash Receipts Over/(Under) Cash Disbursements	55,904	(4,186)	(58,069)	371	(5,980)
Other Financing Receipts/(Disbursements):					
Transfers-In		8,388	55,000		63,388
Advances-In	24,495	24,495			48,990
Transfers-Out	(63,388)				(63,388)
Advances-Out	(24,495)	(24,495)			(48,990)
Total Other Financing Receipts/(Disbursements)	(63,388)	8,388	55,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,484)	4,202	(3,069)	371	(5,980)
Fund Cash Balances, January 1	219,579		948,858	1,960	1,170,397
Fund Cash Balances, December 31	\$212,095	\$4,202	\$945,789	\$2,331	\$1,164,417
Reserves for Encumbrances, December 31	\$8,523	\$2,811	\$3,861	\$200	\$15,395

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

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Government Grants-In-Aid	\$1,275,334			\$1,275,334
Patron Fines and Fees	19,572			19,572
Earnings on Investments	4,629	\$33,799	\$49	38,477
Contributions, Gifts and Donations		256	4,080	4,336
Miscellaneous Receipts	265			265
Total Cash Receipts	1,299,800	34,055	4,129	1,337,984
Cash Disbursements:				
Current:				
Salaries and Benefits	823,922			823,922
Purchased and Contracted Services	179,154	184,122	445	363,721
Other	270,349	6,960	7,261	284,570
Capital Outlay	8,913	141,436		150,349
Total Cash Disbursements	1,282,338	332,518	7,706	1,622,562
Total Cash Receipts Over/(Under) Cash Disbursements	17,462	(298,463)	(3,577)	(284,578)
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	232			232
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,694	(298,463)	(3,577)	(284,346)
Fund Cash Balances, January 1	201,885	1,247,321	5,537	1,454,743
Fund Cash Balances, December 31	\$219,579	\$948,858	\$1,960	\$1,170,397
Reserves for Encumbrances, December 31	\$6,698	\$18,971	\$17	\$25,686

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

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Holmes County District Public Library, Holmes County, (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; four are appointed by the Holmes County Commissioners and three are appointed by the Holmes County 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 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 disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments 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.

LSTA Innovative Technology Fund – Used to account for grant revenue received for the purpose of purchasing laptop computers and related equipment to provide instructional classes to the public.

HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 Funds.

Capital Improvements Fund - Used to collect donations from the public and expended for library construction projects.

Automated Library Systems Fund - Receives transfers from the General Fund and used mainly to upgrade the library computer systems.

4. Fiduciary Funds (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. Other trust funds are classified as expendable. The Library had the following significant Fiduciary Fund:

Expendable Trust Fund - Used to collect donations from the public for the purpose of buying various educational and literary resources.

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, 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.

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$318,510	\$301,775
Certificates of deposit	606,939	607,300
Total deposits	925,449	909,075
STAR Ohio	238,968	261,322
Total deposits and investments	\$1,164,417	\$1,170,397

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Library, or (3) collateralized by the financial institution's public entity deposit pool.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,513,645	\$1,305,505	\$208,140
Special Revenue	32,883	31,492	1,391
Capital Projects	1,481,857	78,586	1,403,271
Fiduciary	9,061	5,875	3,186
Total	\$3,037,446	\$1,421,458	\$1,615,988

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,512,821	\$1,289,036	\$223,785
Capital Projects	1,277,821	351,489	926,332
Fiduciary	9,637	7,723	1,914
Total	\$2,800,279	\$1,648,248	\$1,152,031

**HOLMES COUNTY DISTRICT PUBLIC LIBRARY
HOLMES COUNTY**

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

4. GRANTS-IN-AID

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

The Library also provides health insurance coverage to full and part-time employees through a private carrier, and the Library provides health insurance reimbursements to full and part-time employees for medical costs not covered under the current group health plan (dental and eye care).



Auditor of State Betty Montgomery

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

Holmes County District Public Library
Holmes County
3102 Glen Drive
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of the Holmes County District Public Library, Holmes County, Ohio, (the Library) as of and for the years ended December 31 2003, and 2002, and have issued our report thereon dated May 18, 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 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 May 18, 2004.

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Holmes County District Public Library
Holmes County
Independent Accountants' Report 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.

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

Betty Montgomery
Auditor of State

May 18, 2004



**Auditor of State
Betty Montgomery**

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HOLMES COUNTY DISTRICT PUBLIC LIBRARY

HOLMES 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 24, 2004**