



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HIGHLAND DISTRICT LIBRARY
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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, 1999 and 1998. 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 generally accepted auditing standards 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, 1999 and 1998, 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 April 14, 2000 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.

This report is intended solely for the information and use of management, the 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 14, 2000

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**HIGHLAND DISTRICT LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$1,377,147	\$0	\$0	\$1,377,147
Patron Fines and Fees	39,217	0	0	39,217
Earnings on Investments	96,913	0	0	96,913
Contributions, Gifts and Donations	26,471	0	0	26,471
Miscellaneous Receipts	1,171	0	0	1,171
Total Cash Receipts	1,540,919	0	0	1,540,919
Cash Disbursements:				
Current:				
Salaries and Benefits	716,038	0	0	716,038
Supplies	24,705	0	0	24,705
Purchased and Contracted Services	110,032	0	0	110,032
Library Materials and Information	243,937	0	0	243,937
Other Objects	3,210	0	0	3,210
Capital Outlay	24,958	0	132,431	157,389
Total Cash Disbursements	1,122,880	0	132,431	1,255,311
Total Cash Receipts Over/(Under) Cash Disbursements	418,039	0	(132,431)	285,608
Other Financing Receipts/(Disbursements):				
Transfers-In	0	0	400,000	400,000
Transfers-Out	(400,000)	0	0	(400,000)
Other Financing Sources	0	0	10,500	10,500
Other Financing Uses	0	0	(10,500)	(10,500)
Total Other Financing Receipts/(Disbursements)	(400,000)	0	400,000	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,039	0	267,569	285,608
Fund Cash Balances, January 1	1,444,401	69,267	445,000	1,958,668
Fund Cash Balances, December 31	<u>\$1,462,440</u>	<u>\$69,267</u>	<u>\$712,569</u>	<u>\$2,244,276</u>

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

HIGHLAND DISTRICT LIBRARY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Interest Earnings on Investments	\$308
Total Operating Cash Receipts	308
Fund Cash Balances, January 1	7,110
Fund Cash Balances, December 31	\$7,418

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

**HIGHLAND DISTRICT LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$1,235,931	\$0	\$0	\$1,235,931
Other Government Grants-In-Aid	22,181	0	0	22,181
Patron Fines and Fees	33,692	0	0	33,692
Earnings on Investments	90,055	0	0	90,055
Contributions, Gifts and Donations	11,792	0	0	11,792
Miscellaneous Receipts	3,976	0	0	3,976
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	1,397,627	0	0	1,397,627
Cash Disbursements:				
Current:				
Salaries and Benefits	625,354	0	0	625,354
Supplies	21,212	0	0	21,212
Purchased and Contracted Services	107,547	0	0	107,547
Library Materials and Information	174,555	0	0	174,555
Other Objects	6,927	0	0	6,927
Capital Outlay	86,288		55,000	141,288
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	1,021,883	0	55,000	1,076,883
Total Cash Receipts Over/(Under) Cash Disbursements	375,744	0	(55,000)	320,744
Other Financing Receipts/(Disbursements):				
Transfers-In	0	0	223,513	223,513
Advances-In	0	0	0	0
Transfers-Out	(223,513)	0		(223,513)
Advances-Out	0	0	0	0
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Total Other Financing Receipts/(Disbursements)	(223,513)	0	223,513	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	152,231	0	168,513	320,744
Fund Cash Balances, January 1	1,292,170	69,267	276,487	1,637,924
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Fund Cash Balances, December 31	<u>\$1,444,401</u>	<u>\$69,267</u>	<u>\$445,000</u>	<u>\$1,958,668</u>

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

**HIGHLAND DISTRICT LIBRARY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Fiduciary Fund Types
	Nonexpendable Trust
Operating Cash Receipts:	
Interest Earnings on Investments	\$395
Total Operating Cash Receipts	395
Operating Cash Disbursements:	
Current:	
Library Materials and Information	1,000
Total Operating Cash Disbursements	1,000
Operating Income/(Loss)	(605)
Fund Cash Balances, January 1	7,715
Fund Cash Balances, December 31	\$7,110

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

**HIGHLAND DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

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 the State 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 reported as assets. Accordingly, purchases of certificates of deposit are not recorded as disbursements, and sales of certificates of deposit are not recorded as receipts.

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.

**HIGHLAND DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Fund:

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 that each fund be budgeted annually.

1. Appropriations

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

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 outstanding encumbrances at December 31, 1999 and 1998.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**HIGHLAND DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$1,581,300	\$1,327,359
Certificates of deposit	669,943	637,969
Total deposits	<u>2,251,243</u>	<u>1,965,328</u>
Petty Cash	450	450
Total deposits	<u>\$2,251,693</u>	<u>\$1,965,778</u>

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 ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,038,099	\$1,540,919	\$502,820
Capital Projects	400,000	410,500	10,500
Nonexpendable Trust	0	308	308
Total	<u>\$1,438,099</u>	<u>\$1,951,727</u>	<u>\$513,628</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,371,278	\$1,522,880	(\$151,602)
Special Revenue	50,000	0	50,000
Capital Projects	445,000	142,931	302,069
Total	<u>\$1,866,278</u>	<u>\$1,665,811</u>	<u>\$200,467</u>

**HIGHLAND DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,238,462	\$1,397,627	\$159,165
Capital Projects	0	223,513	223,513
Nonexpendable Trust	0	395	395
Total	\$1,238,462	\$1,621,535	\$383,073

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,324,162	\$1,245,369	\$78,793
Special Revenue	20,000	0	20,000
Capital Projects	300,000	55,000	245,000
Nonexpendable Trust	0	1,000	(1,000)
Total	\$1,644,162	\$1,301,369	\$342,793

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 on account of any additional revenues realized by 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 also 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, 1999.

**HIGHLAND DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RISK MANAGEMENT

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- Public employee dishonesty
- Blanket EDP

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

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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, 1999 and 1998, and have issued our report thereon dated April 14, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 April 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 April 14, 2000.

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 for the information and use of management and the 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

April 14, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JUNE 27, 2000**