



Mary Taylor, CPA
Auditor of State

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hurt Battelle Memorial Library
Madison County
270 Lily Chapel Road
West Jefferson, Ohio 43162

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and general fund, of Hurt Battelle Memorial Library, Madison County, Ohio (the Library), as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 audit 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and general fund of Hurt Battelle Memorial Library, Madison County, Ohio, as of December 31, 2006 and December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the general fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*.

35 N. Fourth St. / Second Floor / Columbus, OH 43215-3612
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 2, 2007

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED**

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights are as follows:

Total assets of as December 31, 2006 were \$210,584, a decrease of \$33,143, or 13.6% from 2005.

As of December 31, 2005, assets totaled \$243,727, a decrease of \$13,666 or 5.3% from 2004.

The Library's general receipts are primarily Library and Local Government Support Funds (LLGSF). These receipts represent 89 percent of the total cash received for governmental activities during 2006 and 2005. There has been no increase since January, 2002.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund.

The notes to the financial statements are an integral part of the government-wide, fund financial statements, provide expanded explanation, and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, assets, their related revenues (such as accounts receivable), liabilities, and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED
(Continued)**

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year-end. LLGSF makes up 89% of the receipts received. The other 11% consists of charges for services, gifts and donations, interest, and miscellaneous receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the reliance on LLGSF funding, the condition of the Library's assets and the extent of the Library's debt obligations or absence thereof.

In the statement of net assets and the statement of activities, the assets and activity of the Library are represented as Governmental Activities. All of the Library's basic services are reported here.

Reporting the Library's Most Significant Fund

The Library has one governmental fund – General Fund

Governmental Funds – All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only major governmental fund is the General Fund.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2006, 2005, and 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$210,584	\$243,727	\$257,393
Total Assets	\$210,584	\$243,727	\$257,393
 Net Assets			
Unrestricted	210,584	243,727	257,393
Total Net Assets	\$210,584	\$243,727	\$257,393

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED
(Continued)**

As mentioned previously, total net assets decreased \$ 33,143 or 13.6% during 2006 and \$13,666 or 5.3% during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- LLGSF, our major source of income has been frozen since January, 2002.
- Increases in salaries ranging from 3.5% to 4% based on current negotiated agreements.
- Material costs have increased during 2006 and 2005.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for Library activities. Since the Library was not required to prepare financial statements in this format for 2004 and 2003, a comparison analysis has not been presented.

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED
(Continued)**

	2006	2005
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	10,599	10,924
Operating Grants and Contributions	24,460	22,655
Total Program Receipts	35,059	33,579
General Receipts:		
Unrestricted Gifts and Contributions	2,011	1,822
Grants and Entitlements not Restricted to Specific Programs	376,566	376,566
Earnings on Investments	9,286	6,689
Miscellaneous	748	2,231
Total General Receipts	388,611	387,308
Total Cash Receipts	423,670	420,887
 Cash Disbursements:		
Library Services:		
Salaries and Benefits	248,704	230,665
Purchases and Contracted Services	45,355	48,302
Library Materials and Information	68,638	59,927
Supplies	9,327	8,360
Other	1,876	1,838
Capital Outlay	1,352	2,525
Debt Service:		
Principal	25,000	25,000
Interest	56,561	57,936
 Total Cash Disbursements	456,813	434,553
 Increase (Decrease) in Net Assets	(33,143)	(13,666)
 Net Assets, January 1	243,727	257,393
 Net Assets, December 31	210,584	243,727

Receipts from LLGSF represent 89% of the Library's total receipts for 2006 and 2005. All other receipts are insignificant in comparison. Receipts and disbursement activity from 2006 to 2005 remain fairly consistent for all material receipt sources and disbursement categories.

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED
(Continued)**

Governmental Activities

The majority of the Library's disbursements are for public service and programs, which are library services. The only exception is the payment of the bonds for debt reduction.

The Program Receipts portion of each Statement of Activities identifies amounts of revenues directly received and generated for a specific program of the Library. Charges for services and sales are the fines and fees paid by Library patrons and operating grants and contributions are gifts and donations contributed for a specific purpose. The net Receipts (Disbursements) column on each statement compares the program receipts to the costs of the services. This "net cost" amount represents the cost of the services, which ends up being paid from the money provided by general receipts, which for the Library are primarily LLGSF as presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Library Services:				
Salaries and Benefits	\$248,704	\$248,704	\$230,665	\$230,665
Purchased and Contracted Services	45,355	45,355	48,302	48,302
Library Materials and Contracted Services	68,638	33,579	59,927	26,348
Supplies	9,327	9,327	8,360	8,360
Other	1,876	1,876	1,838	1,838
Capital Outlay	1,352	1,352	2,525	2,525
Debt Service:				
Principal	25,000	25,000	25,000	25,000
Interest	56,561	56,561	57,936	57,936
Total Disbursements	\$456,813	\$421,754	\$434,553	\$400,974

The dependence upon the LLGSF is apparent as nearly 89% of governmental activities were supported through this fund in both 2006 and 2005.

The Library's Funds

Total governmental fund had receipts of \$423,670 and disbursements of \$456,813 for 2006 and total receipts of \$420,887 and disbursements of \$434,553 for 2005. The fund balance of the General Fund decreased in 2006 and 2005 as the result of increased costs for salaries and materials and not receiving growth in income from the LLGSF.

General Fund receipts were less than disbursements by \$33,143 in 2006 and by \$13,666 in 2005 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers in the form of a levy.

**HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only budgeted fund is the General Fund.

During 2006 and 2005, the Library amended its General Fund budget lines to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected income from interest and donations.

Final disbursements for 2006 were budgeted at \$471,211 while actual disbursements were \$456,813. Final disbursements for 2005 were budgeted at \$461,602 while actual disbursements were \$434,553. The Library used carryover money because frozen income from the LLGSF did not keep up with expenses.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently report Capital Assets.

Debt

As of December 31, 2006, the Library's outstanding debt stands at \$870,000, which is to be paid in installments through 2025.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by funding which will remain frozen until June 30, 2007. We rely almost entirely on funding received from the LLGSF. The condition of the economy and the many priorities of the legislators and their constituencies when their biennial budgets are approved, make Library funding tenuous at best.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Barbara Craig, Clerk-Treasurer, Hurt/Battelle Memorial Library of West Jefferson, 270 Lilly Chapel Road, West Jefferson, OH 43162.

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 210,584
<i>Total Assets</i>	<u>210,584</u>
Net Assets	
Unrestricted	210,584
<i>Total Net Assets</i>	<u>\$ 210,584</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries and Benefits	\$ 248,704	\$ -	\$ -	\$ (248,704)
Purchased and Contracted Services	45,355	-	-	(45,355)
Library Materials and Information	68,638	10,599	24,460	(33,579)
Supplies	9,327	-	-	(9,327)
Other	1,876	-	-	(1,876)
Capital Outlay	1,352	-	-	(1,352)
Debt Service:				
Principal	25,000	-	-	(25,000)
Interest	56,561	-	-	(56,561)
Total Governmental Activities	\$ 456,813	\$ 10,599	\$ 24,460	(421,754)
General Receipts				
Unrestricted Gifts and Contributions				2,011
Grants and Entitlements not Restricted to Specific Programs				376,566
Earnings on Investments				9,286
Miscellaneous				748
Total General Receipts				388,611
Change in Net Assets				(33,143)
Net Assets Beginning of Year				243,727
Net Assets End of Year				\$ 210,584

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
DECEMBER 31, 2006

	GENERAL FUND
Assets	
Cash and Cash Equivalents	\$ 210,584
<i>Total Assets</i>	<u>210,584</u>
Fund Balances	
Undesignated (Deficit), Reported in:	
General Fund	210,584
<i>Total Fund Balances</i>	<u>\$ 210,584</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>GENERAL FUND</u>
Receipts	
Library and Local Government Support	\$ 376,566
Patron, Fines and Fees	8,684
Contributions, Gifts and Donations	26,471
Earnings on Investments	9,286
Miscellaneous	<u>2,663</u>
 Total Receipts	 <u>423,670</u>
Disbursements	
Current:	
Library Services:	
Salaries and Benefits	248,704
Purchased and Contract Services	45,355
Library Materials & Information	68,638
Supplies	9,327
Other	1,790
Capital Outlay	1,352
Debt Service:	
Principal Retirement	25,000
Interest and Fiscal Charges	<u>56,561</u>
 Total Disbursements	 <u>456,727</u>
 Excess of Receipts Over (Under) Disbursements	 <u>(33,057)</u>
 Other Financing Sources (Uses)	
Other Financing Uses	<u>(86)</u>
 Total Other Financing Sources (Uses)	 <u>(86)</u>
 Net Change in Fund Balances	 (33,143)
 Fund Balances Beginning of Year	 <u>243,727</u>
 Fund Balances End of Year	 <u><u>\$ 210,584</u></u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$ 376,500	\$ 350,000	\$ 376,566	\$ 26,566
Patron, Fines and Fees	7,500	6,000	8,684	2,684
Contributions, Gifts and Donations	23,500	22,000	26,471	4,471
Earnings on Investments	6,500	6,000	9,286	3,286
Miscellaneous	1,900	1,300	2,663	1,363
<i>Total receipts</i>	<u>415,900</u>	<u>385,300</u>	<u>423,670</u>	<u>38,370</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	255,540	255,540	248,704	6,836
Purchased and Contracted Services	51,860	49,316	45,355	3,961
Library Materials and Information	61,700	69,080	68,638	442
Supplies	6,700	9,725	9,327	398
Other	1,850	1,850	1,790	60
Capital Outlay	2,000	2,900	1,352	1,548
Debt Service:				
Principal Retirement	25,000	25,000	25,000	-
Interest and Fiscal Charges	56,561	56,561	56,561	-
<i>Total Disbursements</i>	<u>461,211</u>	<u>469,972</u>	<u>456,727</u>	<u>13,245</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,311)</u>	<u>(84,672)</u>	<u>(33,057)</u>	<u>25,125</u>
Other Financing Sources (Uses)				
Other Financing Uses	(10,000)	(1,239)	(86)	1,153
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(1,239)</u>	<u>(86)</u>	<u>1,153</u>
<i>Net Change in Fund Balance</i>	(55,311)	(85,911)	(33,143)	52,768
<i>Fund Balance Beginning of Year</i>	<u>243,727</u>	<u>243,727</u>	<u>243,727</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 188,416</u>	<u>\$ 157,816</u>	<u>\$ 210,584</u>	<u>\$ 52,768</u>

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 243,727
<i>Total Assets</i>	<u>243,727</u>
Net Assets	
Unrestricted	243,727
<i>Total Net Assets</i>	<u>\$ 243,727</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries and Benefits	\$ 230,665	\$ -	\$ -	\$ (230,665)
Purchased and Contracted Services	48,302	-	-	(48,302)
Library Materials and Information	59,927	10,924	22,655	(26,348)
Supplies	8,360	-	-	(8,360)
Other	1,838	-	-	(1,838)
Capital Outlay	2,525	-	-	(2,525)
Debt Service:				
Principal	25,000	-	-	(25,000)
Interest	57,936	-	-	(57,936)
<i>Total Governmental Activities</i>	<u>\$ 434,553</u>	<u>\$ 10,924</u>	<u>\$ 22,655</u>	(400,974)
 General Receipts				
Unrestricted Gifts and Contributions				1,822
Grants and Entitlements not Restricted to Specific Programs				376,566
Earnings on Investments				6,689
Miscellaneous				<u>2,231</u>
<i>Total General Receipts</i>				387,308
 Change in Net Assets				(13,666)
 <i>Net Assets Beginning of Year</i>				<u>257,393</u>
 <i>Net Assets End of Year</i>				<u>\$ 243,727</u>

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
DECEMBER 31, 2005

	GENERAL FUND
Assets	
Cash and Cash Equivalents	\$ 243,727
<i>Total Assets</i>	<u>243,727</u>
Fund Balances	
Unreserved:	
Undesignated (Deficit), Reported in:	
General Fund	243,727
<i>Total Fund Balances</i>	<u>\$ 243,727</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>GENERAL FUND</u>
Receipts	
Library and Local Government Support	\$ 376,566
Patron, Fines and Fees	9,244
Contributions, Gifts and Donations	24,477
Earnings on Investments	6,689
Miscellaneous	<u>3,911</u>
Total Receipts	<u>420,887</u>
Disbursements	
Current:	
Library Services:	
Salaries and Benefits	230,665
Purchased and Contracts Servies	48,302
Library Materials and Information	59,927
Supplies	8,360
Other	1,772
Capital Outlay	2,525
Debt Service:	
Principal Retirement	25,000
Interest and Fiscal Charges	<u>57,936</u>
Total Disbursements	<u>434,487</u>
Excess of Receipts Over (Under) Disbursements	<u>(13,600)</u>
Other Financing Sources (Uses)	
Other Financing Uses	<u>(66)</u>
Total Other Financing Sources (Uses)	<u>(66)</u>
Net Change in Fund Balances	(13,666)
Fund Balances Beginning of Year	<u>257,393</u>
Fund Balances End of Year	<u><u>\$ 243,727</u></u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Library and Local Government Support	\$ 300,000	\$ 300,000	\$ 376,566	\$ 76,566
Patron, Fines and Fees	4,500	4,500	9,244	4,744
Contributions, Gifts and Donations	2,500	2,500	24,477	21,977
Earnings on Investments	1,500	1,500	6,689	5,189
Miscellaneous	600	600	3,911	3,311
<i>Total receipts</i>	<u>309,100</u>	<u>309,100</u>	<u>420,887</u>	<u>111,787</u>
Disbursements				
Current:				
Library Services				
Salaries and Benefits	241,255	241,255	230,665	10,590
Purchased and Contracted Services	55,010	53,767	48,302	5,465
Library Materials and Information	59,550	61,400	59,927	1,473
Supplies	7,500	8,394	8,360	34
Other	1,850	1,850	1,772	78
Capital Outlay	3,500	4,000	2,525	1,475
Debt Service:				
Principal Retirement	25,000	25,000	25,000	-
Interest and Fiscal Charges	57,936	57,936	57,936	-
<i>Total Disbursements</i>	<u>451,601</u>	<u>453,602</u>	<u>434,487</u>	<u>19,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(142,501)</u>	<u>(144,502)</u>	<u>(13,600)</u>	<u>92,672</u>
Other Financing Sources (Uses)				
Other Financing Sources	-	33	-	(33)
Other Financing Uses	(10,000)	(8,000)	(66)	7,934
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(7,967)</u>	<u>(66)</u>	<u>7,902</u>
<i>Net Change in Fund Balance</i>	(152,501)	(152,469)	(13,666)	138,804
<i>Fund Balance Beginning of Year</i>	<u>257,393</u>	<u>257,393</u>	<u>257,393</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 104,892</u>	<u>\$ 104,891</u>	<u>\$ 243,727</u>	<u>\$ 138,804</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005**

Note 1 – Description of the Library and Reporting Entity

The Hurt Battelle Memorial 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 has its own Board of Trustees of seven members. 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 solely that of the Clerk-Treasurer.

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. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to 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 Note 2.C, the financial statements of the Hurt Battelle Memorial 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 Library and Local Government Support Fund receipts and other nonexchange transactions.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the cash basis financial conditions of the governmental type 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 and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. 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

Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The Library accounted for transactions in a general fund only during 2006 and 2005.

B. Fund Accounting

The Library uses a general fund 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 fund is classified as governmental.

Governmental Funds

The Governmental fund is financed primarily from Library and Local Government Support Funds and other nonexchange transactions. Monies are assigned to governmental funds according to the purposes for which they may or must be used. The following is the Library's major governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for 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.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. 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.

D. 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 level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Clerk Treasurer. 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 resolution 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.

E. Cash and Cash Equivalents

During 2006 & 2005, investments were limited to STAR Ohio which is recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 & 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets at December 31, 2006 and December 31, 2005.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

I. 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.

J. 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 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are 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. The Library has no restricted net assets at December 31, 2006 and December 31, 2005.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The library has no Fund balance reserves as of December 31, 2006 and December 31, 2005.

Note 3 – 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 difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year-end.

Note 4 – 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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 4 - Deposits and Investments (Continued)

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.

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 2 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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 4 - Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2006, the Library was not subject to custodial credit risk as the bank balance of \$29,973 was fully insured by FDIC. At year end 2005, \$133,018 of the Library's bank balance of \$233,018 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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.

Investments

As of December 31, 2006 and December 31, 2005, the Library invested in STAR Ohio. The carrying value as of December 31, 2006 and December 31, 2005 was \$181,373 and \$13,246 respectively.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 - 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 2006 and 2005, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Motorists Mutual	Commercial Property	\$1,000,000
	General Liability	\$1,000,000
France & Associates	Errors and Omissions	\$1,000,000

Settled claims have not exceeded 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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 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 that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 06 the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations for the years ended December 31, 2006, 2005, and, 2004 were \$29,288, \$26,845, and \$25,941 respectively; the full amount has been contributed for 2006, 2005, and 2004.

Note 7 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 percent and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 - Postemployment Benefits (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 and 2005 which were used to fund postemployment benefits were \$9,621 and \$8,818 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 8 - Notes Payable

A summary of the note transactions for the year ended December 31, 2006 and December 31, 2005, follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
<u>Governmental Activities</u>					
<u>Facility Note</u>					
2000 Issue	4.75- 6.6 %	\$895,000	\$0	\$25,000	\$870,000
	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Facility Note</u>					
2000 Issue	5.65- 6.6 %	\$920,000	\$0	\$25,000	\$895,000

The Library issued Library Facilities Notes in the amount of \$999,000 during 2000. These notes were issued to construct an expansion of the Library building and renovations of the entire Library. The Library backs the securities from money received from the LLSGF, which is funded through the State of Ohio. These notes are for the duration of twenty five (25) years with varying interest rates of 4.75-6.6%. A summary of the Library's future long-term debt funding requirements, including principal and interest payments, as of December 31, 2006 follows:

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

*NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 AND 2005
(Continued)*

Note 8 - Notes Payable (Continued)

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2007	\$25,000	\$55,161
2008	30,000	53,593
2009	30,000	51,853
2010	30,000	50,083
2011	30,000	48,230
2012-2016	195,000	206,750
2017-2021	260,000	134,115
2022-2025	270,000	37,290
Total	\$870,000	\$637,075

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Hurt Battelle Memorial Library
Madison County
270 Lily Chapel Road
West Jefferson, Ohio 43162

To the Board of Trustees:

We have audited the financial statements of the governmental activities and general fund of Hurt Battelle Memorial Library, Madison County, Ohio, (the Library) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated April 2, 2007. We noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Library's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001

35 N. Fourth St. / Second Floor / Columbus, OH 43215-3612
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 2, 2007

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Review of Basic Financial Statements

The Library utilizes the UAN system of accounting and currently has monitoring controls over daily transactions entered into the system. However, there were modifications or reclassifications necessary to the Library's annual financial report, including the financial statements, notes to the financial statements and management's discussion and analysis (MDA). Although the UAN system generates the financial statements, management is responsible for the presentation of the basic financial statements and accordingly should implement review procedures and controls over the financial preparation and reporting process.

Reclassifications to the financial statements were necessary to accurately reflect classifications of program revenues, expenditures and cash equivalents. While the UAN system does not provide for the breakdown of expenditures and cash equivalents within the system, the Library according to AU Section 9623 – Special Reports: Auditing Interpretations of Section 623 Professional Standards (AICPA) could show expenses by their functional classifications in the notes to the financial statements instead of on the face of the statements. Further the notes to the basic financial statements and management's discussion and analysis should also be reviewed to determine if all required disclosures have been properly included. The information discussed within management's discussion and analysis should be reviewed to ensure it agrees to the financial statement information.

In addition, we recommend the Library implement procedures, such as:

- Adequate training of personnel responsible for compiling the basic financial statements, including the notes to the financial statements and MDA.
- Review of the annual financial report by a member of management for obvious errors and omissions, to provide assurance that the basic financial statements presented are not materially misstated.
- Review of Library chart of accounts for classification of revenues and expenditures for reporting purposes.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

HURT BATTELLE MEMORIAL LIBRARY

MADISON 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
AUGUST 23, 2007**