

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Regular Audit
For the Year Ended December 31, 2010**

***Perry & Associates*
Certified Public Accountants, A.C.**



Dave Yost • Auditor of State

Board of Trustees
Hurt Battelle Memorial Library
270 Lily Chapel Road
West Jefferson, Ohio 43162

We have reviewed the *Independent Accountants' Report* of the Hurt Battelle Memorial Library, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hurt Battelle Memorial Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 10, 2011

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**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

May 16, 2011

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 year ended December 31, 2010, 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 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 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. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and the General Fund of Hurt Battelle Memorial Library, Madison County, Ohio, as of December 31, 2010, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011, 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.

Hurt Battelle Memorial Library
Madison County
Independent Accountants' Report
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Management's discussion and analysis and the respective budgetary comparison for the General Fund are not a required part of the basic financial statements but are 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

Perry and Associates
Certified Public Accountants, A.C.

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2010 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, 2010 were \$194,028, an increase of \$109,950, or 130% from 2009.

Before 2008, public libraries were funded from the Library and Local Government Support Fund (LLGFS) which was primarily from Personal Income Tax. Under permanent law and as of January 2008, Ohio's public libraries are funded through 2.22% of the state's total general tax revenue. These receipts represent 51% and 88% of the total cash received by the library during 2010 and 2009. However, a temporary reduction in the Public Library Fund (PLF) funding percentage was enacted in the state's fiscal year 2010-2011 operating budget: during the August 2009 through June 2011 period, the PLF receives 1.97% of State General Revenue Fund (GRF) tax revenues instead of the 2.22% as previously established in permanent law. The total PLF Revenue received in 2010 and 2009 was \$286,104 and \$304,535 down \$84,385 and \$65,954 respectively from 2008.

The Board of Trustees requested the Jefferson Local School Board to place a 5 year 1.5 mil levy for current expenses on the ballot in the 2009 General Election on November 3, 2009 to commence with tax year 2009. This levy passed by 68% of the voters who voted in the general election. The County Auditor certified that this 1.5 mil levy would general approximately \$242,236 of tax revenue. During 2010 the Library received \$220,144 of tax revenue. Without this tax revenue library services would have been severely slashed. The Library Board of Trustees is grateful to the Community for their support.

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 which the 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 and fund financial statements and 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain 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 modified cash basis of accounting.

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2010, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. PLF makes up 51% and Property Taxes makes up 39% of the receipts received. The other 10% consists of charges for services, gifts and donations, interest and miscellaneous receipts.

These statements report the Library's modified cash position and the changes in modified cash position. Keeping in mind the limitations of the modified 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 modified 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 property tax receipts and PLF 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 2010 and 2009 on a modified cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Cash and Cash Equivalents	\$ 74,709	\$ 25,023
Investments	119,319	59,055
Total Assets	<u>\$ 194,028</u>	<u>\$ 84,078</u>
Net Assets		
Unrestricted	<u>\$ 194,028</u>	<u>\$ 84,078</u>
Total Net Assets	<u>\$ 194,028</u>	<u>\$ 84,078</u>

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

As mentioned previously, total net assets increased \$ 109,950 or 130% during 2010. The primary reasons contributing to the increases in cash balances are as follows:

- Tax levy passed
- The additional funding has exceeded additional spending

Table 2 reflects the changes in net assets on a modified cash basis in 2010 and 2009 for Library activities.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2010	2009
Cash Receipts:		
Program Receipts:		
Charges for Services	\$ 11,554	\$ 11,211
Operating Grants and Contributions	10,433	18,910
Total Program Receipts:	<u>21,987</u>	<u>30,121</u>
General Receipts:		
Property Taxes	220,144	-
Unrestricted Gifts and Contributions	3,503	8,144
Grants and Entitlements not Restricted to Specific Programs	315,247	304,535
Earnings on Investments	274	192
Miscellaneous	2,483	2,100
Total General Receipts:	<u>541,651</u>	<u>314,971</u>
Total Cash Receipts	<u>563,638</u>	<u>345,092</u>
 Cash Disbursements:		
Library Services	169,846	138,810
Support Services	203,760	173,994
Debt Service:		
Principal Retirement	30,000	30,000
Interest and Fiscal Charges	50,082	51,853
Total Cash Disbursements	<u>453,688</u>	<u>394,657</u>
 Increase (Decrease) in Net Assets	109,950	(49,565)
 Net Assets, January 1	<u>84,078</u>	<u>133,643</u>
 Net Assets, December 31	<u>\$ 194,028</u>	<u>\$ 84,078</u>

Receipts from PLF represent 51% and Property Taxes represent 39% of the Library's total receipts for 2010. All other receipts are insignificant in comparison. Receipts and disbursement activity from 2009 to 2010 increased and more funding was available during 2010.

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

Governmental Activities

The majority of the Library's disbursements are for public service and programs, which are library and support services. The only exception is the payment of the notes 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 PLF 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 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Library Services	\$169,846	\$147,859	\$138,810	\$108,689
Support Services	203,760	203,760	173,994	173,994
Debt Service:				
Principal Retirement	30,000	30,000	30,000	30,000
Interest and Fiscal Charges	50,082	50,082	51,853	51,853
Total Disbursements:	\$453,688	\$431,701	\$394,657	\$364,536

The dependence upon the PLF and Property Taxes is apparent as nearly 90% of governmental activities were supported through this funding in 2010.

The Library's Funds

Total governmental fund had receipts of \$563,638 and disbursements of \$453,688 for 2010. The fund balance of the General Fund increased as the result of passage of the tax levy.

General Fund receipts were greater than disbursements by \$109,950 in 2010 indicating that the General Fund is in a profitable spending situation. The Library Administration continues to maintain a conservative approach to overall spending and is very appreciative to the Community for their support by passing the 1.5 mil levy.

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 2010, the Library amended its General Fund budget lines to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to changes in actual tax money received

Final disbursements for 2010 were budgeted at \$499,858 while actual disbursements were \$453,688. The Library was conservative in spending in 2010.

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited
(Continued)

Capital Assets and Debt Administration

Capital Assets

The Library does not currently have Capital Assets.

Debt

As of December 31, 2008, the Library's outstanding debt stands at \$755,000 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; PLF funding has remain frozen from 2001 through 2007 and even reduced during the latter part of 2008 and all of 2009 with only a slight increase during the latter part of 2010. The Ohio Department of Taxation has estimated (December, 2010) that the anticipated PLF revenue for 2011 will be \$322,678. The December, 2010 Estimate of Property Tax Revenue from the Madison County Auditor is \$239,659 with a recommendation to only use 90% for the 2011 budget. The Board of Trustees has taken a conservative approach with the 2011 budget by only appropriating 81% of the Unencumbered Cash Balance as of January 1, 2011 and of the Estimated Revenues for 2011. The Board is facing the possibility of repairing/replacing the roof in 2011(which is reflected in the 2011 Appropriations). It is important that the Library have some cash reserves for an emergency.

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 Rebecca Yerian, Fiscal Officer, 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 - Modified Cash Basis

For the Year Ended December 31, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 74,709
Investments	<u>119,319</u>
<i>Total Assets</i>	<u><u>194,028</u></u>
Net Assets	
Unrestricted	<u>194,028</u>
<i>Total Net Assets</i>	<u><u>\$ 194,028</u></u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY

Statement of Activities - Modified Cash Basis

For the Year Ended December 31, 2010

	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	\$ 169,846	\$ 11,554	\$ 10,433	\$ (147,859)
Support Services	203,760	-	-	(203,760)
Debt Service:				
Principal Retirement	30,000	-	-	(30,000)
Interest and Fiscal Charges	50,082	-	-	(50,082)
<i>Total Governmental Activities</i>	<u>\$ 453,688</u>	<u>\$ 11,554</u>	<u>\$ 10,433</u>	<u>\$ (431,701)</u>
General Receipts				
Property and Other Local Taxes				220,144
Unrestricted Gifts and Contributions				3,503
Grants and Entitlements not Restricted to Specific Programs				315,247
Earnings on Investments				274
Miscellaneous				2,483
<i>Total General Receipts</i>				<u>541,651</u>
Change in Net Assets				<u>109,950</u>
<i>Net Assets Beginning of Year</i>				<u>84,078</u>
<i>Net Assets End of Year</i>				<u>\$ 194,028</u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY
Statement of Modified Cash Basis Assets and Fund Balance
Governmental Fund
For the Year Ended December 31, 2010

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 74,709
Investments	119,319
<i>Total Assets</i>	<u>194,028</u>
Fund Balances	
Unreserved:	
General Fund	194,028
<i>Total Fund Balances</i>	<u>\$ 194,028</u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance
Governmental Fund
For the Year Ended December 31, 2010

	General Fund
Receipts	
Property and Other Local Taxes	\$ 220,144
Public Library Funding	286,104
Intergovernmental	29,143
Patron Fines and Fees	11,554
Contributions, Gifts and Donations	13,936
Earnings on Investments	274
Miscellaneous	2,483
<i>Total Receipts</i>	563,638
Disbursements	
Library Services	169,846
Support Services	203,760
Debt Service:	
Principal Retirement	30,000
Interest and Fiscal Charges	50,082
<i>Total Disbursements</i>	453,688
<i>Net Change in Fund Balances</i>	109,950
<i>Fund Balances Beginning of Year</i>	84,078
<i>Fund Balances End of Year</i>	\$ 194,028

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

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, 2010

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 230,345	\$ 219,319	220,144	\$ 825
Public Library Funding	276,480	276,480	286,104	9,624
Intergovernmental	11,891	14,370	29,143	14,773
Patron Fines and Fees	9,000	9,000	11,554	2,554
Contributions, Gifts and Donations	6,575	4,002	13,936	9,934
Earnings on Investments	225	55	274	219
Miscellaneous	1,525	2,083	2,483	400
<i>Total receipts</i>	<u>536,041</u>	<u>525,309</u>	<u>563,638</u>	<u>38,329</u>
Disbursements				
Library Services	190,801	190,848	169,846	21,002
Support Services	215,671	220,127	203,760	16,367
Debt Service:				
Principal Retirement	30,000	30,000	30,000	-
Interest	50,083	50,083	50,082	1
<i>Total Disbursements</i>	<u>486,555</u>	<u>491,058</u>	<u>453,688</u>	<u>37,370</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>49,486</u>	<u>34,251</u>	<u>109,950</u>	<u>75,699</u>
Other Financing Sources (Uses)				
Other Financing Uses	(5,000)	(8,800)	-	8,800
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>(8,800)</u>	<u>-</u>	<u>8,800</u>
<i>Net Change in Fund Balance</i>	44,486	25,451	109,950	84,499
<i>Fund Balance Beginning of Year</i>	<u>84,078</u>	<u>84,078</u>	<u>84,078</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 128,564</u>	<u>\$ 109,529</u>	<u>\$ 194,028</u>	<u>\$ 84,499</u>

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

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010***

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 Fiscal Officer.

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 modified cash basis of accounting. This modified 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 modified 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 modified 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 taxes, intergovernmental receipts and other non-exchange transactions.

The Statement of Net Assets presents the cash and investment balances 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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)***

Note 2 - Summary of Significant Accounting Policies (Continued)

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 2010.

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 taxes, intergovernmental receipts (e.g. grants) and other non-exchange 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 modified 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 and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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 Fiscal Officer. 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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010***

(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

To improve cash management, cash received by the Library is pooled and invested. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

During 2010, investments were limited to a money market fund and STAR Ohio and nonnegotiable certificates of deposit. Except for the money market fund and STAR Ohio these investments are recorded at cost.

The Library’s money market fund investment is recorded at amounts reported by Huntington National Bank on December 31, 2010.

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 Rule2a7 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, 2010.

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, 2010.

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.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)***

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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. Long-Term Obligations

The Library's modified cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. 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, 2010.

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.

M. 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, 2010.

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 (modified cash basis).

There were no encumbrances outstanding at year-end.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)***

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.

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 MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 4 – Deposits and Investments (Continued)

Deposits

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, 2010, the Library had the following investments

	<u>Carrying Value</u>	<u>Maturity</u>
Certificate of Deposit	\$ 30,052	2/13/2011
Certificate of Deposit	30,130	1/27/2011
Money Market Mutual Fund	13,195	Average
STAR Ohio	45,942	Average
Total Investments	<u>\$ 119,319</u>	

Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 2010, the Library's contracted insurance coverage is as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
France & Associates	Commercial Property	\$2,679,984
France & Associates	General Liability	\$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 MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10% of covered payroll.

The Library's contribution rate for 2010 was 14% of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14%.

The Library's required contributions for pension obligations for the years ended December 31, 2010, 2009, and, 2008 were \$28,104, \$24,943, and \$29,998 respectively; the full amount has been contributed for 2010, 2009, and, 2008.

Note 7 - Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Note 7 - Postemployment Benefits (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 10% of covered. Each year, The OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 0% of covered payroll from January 1 through December 31, 2010.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2010, 2009, and 2008 were contributed 100%.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Members and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 8 - Notes Payable

A summary of the note transactions for the year ended December 31, 2010, follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
Facility Note- 2000 Issue	4.75-6.6%	\$785,000	\$-	\$30,000	\$755,000	\$30,000

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 PLF, which is funded through the State of Ohio. A tax levy was passed for 2010 to offset depleting PLF funding in order to maintain revenue to cover the debt. 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, 2010 follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 30,000	\$ 48,230
2012	35,000	46,150
2013	35,000	43,910
2014	40,000	41,510
2015	40,000	38,950
2016-2021	245,000	150,545
2022-2025	330,000	57,090
Total	<u>\$ 755,000</u>	<u>\$ 426,385</u>

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

***NOTES TO THE MODIFIED CASH FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)***

Note 9 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the West Jefferson Local School District. Property tax receipts received in 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed values as of January 1, 2010 the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien on December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

2010 tangible property taxes are levied after October 1, 2009 on the value as of December 31, 2009. Collections are made in 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Library operations for the year ended December 31, 2010 was \$0.15 per \$100 of assessed value. The assessed values of real and personal property upon which 2010 property tax receipts were based are as follows:

Total Assessed Values	<u>\$161,490,900</u>
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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Auditor periodically remits to the Library its portion of the taxes collected.

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

May 16, 2011

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 year ended December 31, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated May 16, 2011. 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 opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

Hurt Battelle Memorial Library
Madison County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.



Dave Yost • 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
JUNE 23, 2011