



Mary Taylor, CPA
Auditor of State

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements 2006:	
Statement of Net Assets – Modified Cash Basis.....	9
Statement of Activities – Modified Cash Basis.....	10
Governmental Financial Statements 2006:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	11
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds.....	12
Statement of Cash Receipts, Disbursement, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Hutton Fund	14
Government-Wide Financial Statements 2005:	
Statement of Net Assets – Modified Cash Basis	15
Statement of Activities – Modified Cash Basis	16
Governmental Financial Statements 2005:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	17
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds.....	18
Statement of Cash Receipts, Disbursement, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	19
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Hutton Fund	20
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Barnesville Hutton Memorial Library
Belmont County
308 East Main Street
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Barnesville Hutton Memorial Library, Belmont County, Ohio (the Library), as of and for the years ended December 31, 2006 and 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. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2C, 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 each major fund of Barnesville Hutton Memorial Library, Belmont County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and Hutton Fund, thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 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

September 6, 2007

Barnesville Hutton Memorial Library
Belmont County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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

Highlights

Key highlights for 2006 and 2005 are as follows:

In 2006 and 2005, net assets of governmental activities increased \$8,669, or 1 percent, and \$42,362, or 5 percent, respectively.

The Library's general receipts are primarily intergovernmental, State Library and Local Government Support Fund (LLGSF). In 2006 and 2005, these receipts represent 90.6% and 91.3%, respectively, of the total cash received for governmental activities during the years. LLGSF receipts have been frozen as the receipts for 2006 were the same as 2005.

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 modified 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, presenting funds with the largest balances or most activity in separate columns.

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.

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.

Barnesville Hutton Memorial Library
Belmont County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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 modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Library at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. 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 cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in 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, these increases or decreases in the Library's cash position are one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should consider other non-financial factors as well, such as the reliance of non-local financial resources for operation and the need for continued growth in the major local revenue source such as LLGSF.

In the Statement of Net Assets and the Statement of Activities, the Library presents a single type of activity, governmental activities. All of the Library's programs and basic services are reported here, including library services, purchased and contract services, library materials and information, and capital outlay. The Library and Local Government Support Fund finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

The fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all governmental.

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 significant governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the General Fund, Hutton Fund and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Barnesville Hutton Memorial Library
 Belmont County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2006 and 2005
 Unaudited

The Library as a Whole

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

(Table 1)

Net Assets

	Governmental Activities		
	2006	2005	2004
Assets			
Equity in Pooled Cash and Cash Equivalents	\$424,691	\$416,022	\$373,660
Investments	443,626	443,626	443,626
Total Assets	<u>\$868,317</u>	<u>\$859,648</u>	<u>\$817,286</u>
Net Assets			
Restricted for:			
Capital Projects	\$336,391	\$289,364	\$230,459
Other Purposes	457,403	481,720	0
Unrestricted	<u>74,523</u>	<u>88,564</u>	<u>586,827</u>
Total Net Assets	<u>\$868,317</u>	<u>\$859,648</u>	<u>\$817,286</u>

As mentioned previously, in 2006 and 2005, net assets of governmental activities increased \$8,669, or 1 percent, and \$42,362, or 5%, respectively. The primary reasons contributing to the increases in cash balances are as follows:

- In 2006 and 2005, the Library kept expenditures at a minimum due to the Library and Local Government Support Fund funding being frozen at 2001 fiscal year level.

Barnesville Hutton Memorial Library
Belmont County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Table 2 reflects the changes in net assets on a modified cash basis in 2006 compared to 2005 and 2005 compared to 2004:

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Governmental Activities 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$19,230	\$16,664	\$0
Total Program Receipts	<u>19,230</u>	<u>16,664</u>	<u>0</u>
General Receipts:			
Intergovernmental	513,655	513,655	510,849
Unrestricted Gifts and Contributions	4,970	10,208	5,847
Interest	26,410	21,600	17,117
Miscellaneous	2,784	170	18,118
Total General Receipts	<u>547,819</u>	<u>545,633</u>	<u>551,931</u>
Total Receipts	<u>567,049</u>	<u>562,297</u>	<u>551,931</u>
Disbursements:			
Current:			
Library Services:			
Salaries and Fringe Benefits	327,404	306,946	276,615
Purchased and Contractual Services	79,289	101,156	68,394
Library Materials and Information	108,843	91,134	107,162
Other	2,290	2,162	2,073
Capital Outlay	40,554	18,537	8,207
Total Disbursements	<u>558,380</u>	<u>519,935</u>	<u>462,451</u>
Increase in Net Assets	8,669	42,362	89,480
Net Assets, January 1	<u>859,648</u>	<u>817,286</u>	<u>727,806</u>
Net Assets, December 31	<u><u>\$868,317</u></u>	<u><u>\$859,648</u></u>	<u><u>\$817,286</u></u>

Program receipts represent only 3 percent of total receipts in 2006 and 2005 and are primarily comprised of patron fines and fees.

General receipts represent 97 percent of the Library's total receipts in 2006 and 2005 and 100 percent in 2004, of which intergovernmental receipts make up 93.8%, 94.1%, and 92.6%, in 2006, 2005, and 2004, respectively. Since these monies are provided by the State, it can be seen how any decreases in this funding source could have a substantial impact on the services the Library provides.

Disbursements for the Library represent the overhead costs of running the Library and the support services provided for library services and other Library activities.

Barnesville Hutton Memorial Library
Belmont County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on pages 10 and 16, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and fringe benefits, purchased and contractual services, and library materials and information, which account for 92.3 and 96.0 percent of all governmental disbursements, for 2006 and 2005, respectively. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the services. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are 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	Total Cost of Services 2004	Net Cost of Services 2004
Library Services:						
Salaries and Fringe Benefits	\$327,404	\$315,245	\$306,946	\$296,745	\$276,615	\$276,615
Purchased and Contractual Services	79,289	76,345	101,156	97,794	68,394	68,394
Library Materials and Information	108,843	104,801	91,134	88,105	107,162	107,162
Other	2,290	2,205	2,162	2,090	2,073	2,073
Capital Outlay	40,554	40,554	18,537	18,537	8,207	8,207
Total Expenses	<u>\$558,380</u>	<u>\$539,150</u>	<u>\$519,935</u>	<u>\$503,271</u>	<u>\$462,451</u>	<u>\$462,451</u>

The dependence upon intergovernmental receipts is apparent as over 92.0, 98.8, and 100.0 percent of governmental activities are supported through these general receipts for 2006, 2005 and 2004, respectively.

The Library's Funds

In 2006, the General Fund receipts of \$552,920, and disbursements of \$566,961, the Hutton Fund had receipts of \$14,129 and disbursements of \$38,446 and the Building Fund had receipts of \$65,000 and disbursements of \$17,973.

In 2005, the General Fund receipts of \$549,504, and disbursements of \$566,657, the Hutton Fund had receipts of \$12,793 and disbursements of \$12,183 and the Building Fund had receipts of \$70,000 and disbursements of \$11,095.

Barnesville Hutton Memorial Library
Belmont County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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 Library's most significant budgeted fund is the General Fund.

In 2006, final disbursements were budgeted at \$609,287 while actual disbursements were \$566,961. Final receipts were budgeted at \$520,723 while actual receipts were \$552,920. In 2005, final disbursements were budgeted at \$619,759 while actual disbursements were \$566,657. Final receipts were budgeted at \$518,742 while actual receipts were \$549,504.

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Current Issues

As the preceding information shows, the Library depends heavily on the intergovernmental monies. With the Library and Local Government Support Fund being frozen at the 2005 level for the calendar year 2006, the Library has decreased disbursements in many areas of the budget and moved capital disbursements to the Capital Project Funds as needed.

The Library will be challenged to continue to maintain the current level of services and programs due to the fairly stagnant receipts and ordinary inflation. The Board and Library administration must maintain careful financial planning and wise fiscal management in order to provide services as needed and balance the budget annually.

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 Brenda G. Brown, Clerk-Treasurer, Barnesville Hutton Memorial Library, 308 East Main Street, Barnesville, Ohio 43713, or email at brownbr@oplin.org.

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Net Assets - Modified Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$424,691
Investments	<u>443,626</u>
<i>Total Assets</i>	<u><u>\$868,317</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$336,391
Other Purposes	457,403
Unrestricted	<u>74,523</u>
<i>Total Net Assets</i>	<u><u>\$868,317</u></u>

See accompanying notes to the basic financial statements

**Barnesville Hutton Memorial Library
Belmont County, Ohio**

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	<u>Program Cash Receipts</u>		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
Current:			
Library Services:			
Salaries and Fringe Benefits	\$327,404	12,159	(\$315,245)
Purchased and Contractual Services	79,289	2,944	(76,345)
Library Materials and Information	108,843	4,042	(104,801)
Other	2,290	85	(2,205)
Capital Outlay	40,554		(40,554)
<i>Total Governmental Activities</i>	\$558,380	\$19,230	(539,150)
 General Receipts			
Intergovernmental			513,655
Unrestricted Gifts and Contributions			4,970
Interest			26,410
Miscellaneous			2,784
<i>Total General Receipts</i>			547,819
Change in Net Assets			8,669
<i>Net Assets Beginning of Year</i>			859,648
<i>Net Assets End of Year</i>			\$868,317

See accompanying notes to the basic financial statements

**Barnesville Hutton Memorial Library
Belmont, Ohio**

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Hutton Fund	Building Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$74,523	\$13,777	\$336,391	\$424,691
Investments		443,626		443,626
<i>Total Assets</i>	<u>\$74,523</u>	<u>\$457,403</u>	<u>\$336,391</u>	<u>\$868,317</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$31,152	\$2,684		\$33,836
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	43,371			43,371
Special Revenue Funds		454,719		454,719
Capital Projects Fund			\$336,391	336,391
<i>Total Fund Balances</i>	<u>\$74,523</u>	<u>\$457,403</u>	<u>\$336,391</u>	<u>\$868,317</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont, Ohio

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Hutton Fund	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$513,655			\$513,655
Patron Fines and Fees	19,230			19,230
Contributions, Gifts and Donations	4,970			4,970
Earnings on Investments	12,281	\$14,129		26,410
Miscellaneous	2,784			2,784
<i>Total Receipts</i>	<u>552,920</u>	<u>14,129</u>	<u>\$0</u>	<u>567,049</u>
Disbursements				
Current:				
Library Services:				
Salaries and Fringe Benefits	327,404			327,404
Purchased and Contractual Services	74,583	4,706		79,289
Library Materials and Information	93,534	15,309		108,843
Other	2,290			2,290
Capital Outlay	4,150	18,431	17,973	40,554
<i>Total Disbursements</i>	<u>501,961</u>	<u>38,446</u>	<u>17,973</u>	<u>558,380</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>50,959</u>	<u>(24,317)</u>	<u>(17,973)</u>	<u>8,669</u>
Other Financing Sources (Uses)				
Transfers In			65,000	65,000
Transfers Out	(65,000)			(65,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(65,000)</u>	<u>0</u>	<u>65,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(14,041)	(24,317)	47,027	8,669
<i>Fund Balances Beginning of Year</i>	<u>88,564</u>	<u>481,720</u>	<u>289,364</u>	<u>859,648</u>
<i>Fund Balances End of Year</i>	<u><u>\$74,523</u></u>	<u><u>\$457,403</u></u>	<u><u>\$336,391</u></u>	<u><u>\$868,317</u></u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Cash 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
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Intergovernmental	\$487,973	\$487,973	\$513,655	\$25,682
Patron Fines and Fees	19,500	19,500	19,230	(270)
Contributions, Gifts and Donations	8,000	8,000	4,970	(3,030)
Earnings on Investments	5,000	5,000	12,281	7,281
Miscellaneous	250	250	2,784	2,534
<i>Total Receipts</i>	<u>520,723</u>	<u>520,723</u>	<u>552,920</u>	<u>32,197</u>
Disbursements				
Current:				
Library Services:				
Salaries and Fringe Benefits	332,680	333,414	332,930	484
Purchased and Contractual Services	100,627	91,374	85,742	5,632
Library Materials and Information	105,904	112,715	108,001	4,714
Other	59,576	2,584	2,290	294
Capital Outlay	10,500	4,200	4,150	50
<i>Total Disbursements</i>	<u>609,287</u>	<u>544,287</u>	<u>533,113</u>	<u>11,174</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,564)</u>	<u>(23,564)</u>	<u>19,807</u>	<u>43,371</u>
Other Financing (Uses)				
Transfers Out	0	(65,000)	(65,000)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(88,564)	(88,564)	(45,193)	43,371
<i>Fund Balance Beginning of Year</i>	54,440	54,440	54,440	0
Prior Year Encumbrances Appropriated	34,124	34,124	34,124	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$43,371</u>	<u>\$43,371</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Cash Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Hutton Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Earnings on Investments	\$10,000	\$10,000	\$14,129	\$4,129
<i>Total Receipts</i>	<u>10,000</u>	<u>10,000</u>	<u>14,129</u>	<u>4,129</u>
Disbursements				
Current:				
Library Services:				
Purchased and Contractual Services	5,412	7,012	5,108	1,904
Library Materials and Information	25,263	26,263	17,591	8,672
Capital Outlay		19,000	18,431	569
Contingency	461,045	439,445		439,445
<i>Total Disbursements</i>	<u>491,720</u>	<u>491,720</u>	<u>41,130</u>	<u>450,590</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(481,720)</u>	<u>(481,720)</u>	<u>(27,001)</u>	<u>454,719</u>
<i>Fund Balance Beginning of Year</i>	480,044	480,044	480,044	0
Prior Year Encumbrances Appropriated	<u>1,676</u>	<u>1,676</u>	<u>1,676</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$454,719</u></u>	<u><u>\$454,719</u></u>

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$416,022
Investments	<u>443,626</u>
<i>Total Assets</i>	<u><u>\$859,648</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$289,364
Other Purposes	481,720
Unrestricted	<u>88,564</u>
<i>Total Net Assets</i>	<u><u>\$859,648</u></u>

See accompanying notes to the basic financial statements

**Barnesville Hutton Memorial Library
Belmont County, Ohio**

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Current:			
Library Services:			
Salaries and Fringe Benefits	\$306,946	10,201	(\$296,745)
Purchased and Contractual Services	101,156	3,362	(97,794)
Library Materials and Information	91,134	3,029	(88,105)
Other	2,162	72	(2,090)
Capital Outlay	<u>18,537</u>		<u>(18,537)</u>
<i>Total Governmental Activities</i>	<u>\$519,935</u>	<u>\$16,664</u>	<u>(503,271)</u>
		General Receipts	
		Intergovernmental	513,655
		Unrestricted Gifts and Contributions	10,208
		Interest	21,600
		Miscellaneous	<u>170</u>
		<i>Total General Receipts</i>	<u>545,633</u>
		Change in Net Assets	42,362
		<i>Net Assets Beginning of Year</i>	<u>817,286</u>
		<i>Net Assets End of Year</i>	<u>\$859,648</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Hutton Fund	Building Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$88,564	\$38,094	\$289,364	\$416,022
Investments		443,626		443,626
<i>Total Assets</i>	<u>\$88,564</u>	<u>\$481,720</u>	<u>\$289,364</u>	<u>\$859,648</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$34,124	\$1,676		\$35,800
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	54,440			54,440
Special Revenue Funds		480,044		480,044
Capital Projects Funds			\$289,364	289,364
<i>Total Fund Balances</i>	<u>\$88,564</u>	<u>\$481,720</u>	<u>\$289,364</u>	<u>\$859,648</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Hutton Fund	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$513,655			\$513,655
Patron Fines and Fees	16,664			16,664
Contributions, Gifts and Donations	10,208			10,208
Earnings on Investments	8,807	\$12,793		21,600
Miscellaneous	170			170
<i>Total Receipts</i>	<u>549,504</u>	<u>12,793</u>	<u>\$0</u>	<u>562,297</u>
Disbursements				
Current:				
Library Services:				
Salaries and Fringe Benefits	306,946			306,946
Purchased and Contract Services	97,078	4,078		101,156
Library Materials and Information	83,029	8,105		91,134
Other	2,162			2,162
Capital Outlay	7,442		11,095	18,537
<i>Total Disbursements</i>	<u>496,657</u>	<u>12,183</u>	<u>11,095</u>	<u>519,935</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,847</u>	<u>610</u>	<u>(11,095)</u>	<u>42,362</u>
Other Financing Sources (Uses)				
Transfers In			70,000	70,000
Transfers Out	(70,000)			(70,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(70,000)</u>	<u>0</u>	<u>70,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(17,153)	610	58,905	42,362
<i>Fund Balances Beginning of Year</i>	<u>105,717</u>	<u>481,110</u>	<u>230,459</u>	<u>817,286</u>
<i>Fund Balances End of Year</i>	<u><u>\$88,564</u></u>	<u><u>\$481,720</u></u>	<u><u>\$289,364</u></u>	<u><u>\$859,648</u></u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Cash 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				
Intergovernmental	\$479,192	\$479,192	\$513,655	\$34,463
Patron Fines and Fees	19,500	19,500	16,664	(2,836)
Contributions, Gifts and Donations	8,000	14,800	10,208	(4,592)
Earnings on Investments	5,000	5,000	8,807	3,807
Miscellaneous	250	250	170	(80)
<i>Total Receipts</i>	<u>511,942</u>	<u>518,742</u>	<u>549,504</u>	<u>30,762</u>
Disbursements				
Current:				
Library Services:				
Salaries & Fringe Benefits	307,014	314,114	313,439	675
Purchased & Contract Services	123,010	119,528	111,056	8,472
Library Materials & Information	135,331	104,631	96,182	8,449
Other	43,643	2,825	2,662	163
Capital Outlay	8,661	8,661	7,442	1,219
<i>Total Disbursements</i>	<u>617,659</u>	<u>549,759</u>	<u>530,781</u>	<u>18,978</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(105,717)</u>	<u>(31,017)</u>	<u>18,723</u>	<u>49,740</u>
Other Financing (Uses)				
Transfers Out	0	(70,000)	(70,000)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(105,717)	(101,017)	(51,277)	49,740
<i>Fund Balance Beginning of Year</i>	50,211	50,211	50,211	0
Prior Year Encumbrances Appropriated	55,506	55,506	55,506	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$4,700</u>	<u>\$54,440</u>	<u>\$49,740</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library
Belmont County, Ohio

Statement of Cash Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Hutton Fund
 For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Earnings on Investments	\$10,000	\$10,000	\$12,793	\$2,793
<i>Total Receipts</i>	10,000	10,000	12,793	2,793
Disbursements				
Current:				
Library Services:				
Purchased & Contract Services	11,533	11,533	4,490	7,043
Library Materials & Information	35,951	35,951	9,369	26,582
Other Contingency	443,626	443,626		443,626
<i>Total Disbursements</i>	491,110	491,110	13,859	477,251
<i>Excess of Receipts Over (Under) Disbursements</i>	(481,110)	(481,110)	(1,066)	480,044
<i>Fund Balance Beginning of Year</i>	478,877	478,877	478,877	0
Prior Year Encumbrances Appropriated	2,233	2,233	2,233	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$480,044	\$480,044

See accompanying notes to the basic financial statements

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 1 - Description of the Library and Reporting Entity

The Barnesville Hutton Memorial Library was organized as a school district public library in 1924 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Barnesville Exempted Village School District Board of Education. Appointments are for seven-year terms and members serve without compensation. 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.

The Library is fiscally independent of the Barnesville Exempted Village School District Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Barnesville Exempted Village School District Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Barnesville Exempted Village School District.

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.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the Library does not report assets for equity interests in joint ventures. The Library participated in the Southeastern Ohio Library Organization Regional Library System (SOLO), a jointly governed organization. Note 10 to the basic financial statements provides additional information for this entity.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 1 - Description of the Library and Reporting Entity (Continued)

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 basic financial statements of the 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 and the fund financial statements for the proprietary funds, 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 nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds 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 funds are all classified as governmental. The Library's funds are governmental.

Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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.

Hutton Fund – This fund receives dividends from the stock of the Hutton family estate to be used for the benefit of the Library's patrons.

Building Fund – This fund receives an operating transfer from the General Fund and donations to be used for various library renovations or expansion projects.

C. Basis of Accounting

The Library's basic financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the basic 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. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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, function 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 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 ordinance 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. Individual fund integrity is maintained through the Library's records. 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 2006 and 2005, investments were limited donated stock. These investments are recorded at fair value when donated.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2006 and 2005 amounted to \$12,281 and \$8,807, respectively.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Restricted assets represent monies restricted for Library renovations or expansion projects.

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.

I. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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 modified cash basis of accounting.

K. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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. Net assets restricted for other purposes include resources associated with the Hutton fund. The Statement of Net Assets reports \$793,794 and \$771,084 of restricted net assets for governmental activities for the years ended 2006 and 2005, respectively, of which no monies are restricted by enabling legislation.

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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Fund balance reserves have been established for encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after non-operating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and Hutton Fund prepared on the budgetary basis to provide a meaningful comparison of actual results with budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances which are treated as disbursements (budget basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

	2006	
General Fund		\$31,152
Hutton Fund		2,684
	2005	
General Fund		\$34,124
Hutton Fund		1,676

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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (STAROhio).

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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 4 – Deposits and Investments (Continued)

At year end, the Library had \$70 for 2006 and 2005 in undeposited cash on hand which is included as part of “*Equity in Pooled Cash and Cash Equivalents*” on the financial statements.

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 December 31, 2006 and 2005, \$335,060 and \$320,983, respectively, of the Library’s bank balance of \$435,060 and \$420,983, respectively, was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Library to a successful claim by the FDIC.

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

The Library received a donation of stock through the Hutton estate. This stock was recorded on the books at fair value on the date donated. The financial institution maintains records identifying the Library as owner of these securities. The carrying value of the donated common stock as of December 31, 2006 and 2005 was \$443,626 and the fair value of the donated common stock as of December 31, 2006 and 2005 was \$621,493 and \$542,582, respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The donated common stock are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Library’s name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 5 – Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Library and Local Government Support Fund (LLGSF). The LLGSF is 5.7% of the State personal income tax. It is currently frozen at 2001 fiscal year level. The LLGSF is allocated to each county based on the county's prior year LLGSF revenues and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for construction of new library buildings, improvements, operation, maintenance or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives. The Library receives 19% of the counties allocation.

Note 6 – 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 Steele Insurance Associates, Inc., for various types of insurance coverage as follows:

• Commercial Property Coverage	\$2,452,712
• Commercial General Liability Coverage	2,000,000
• Commercial Crime Coverage	1,000,000
• Commercial Inland Marine Coverage	1,036,000
• Commercial Auto Coverage	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.

The Library contracts annually with The Health Plan for employees' health insurance. The Library and most employees share in the cost of the monthly premiums paid.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 7 - Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

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, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, 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.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$59,369 and \$55,444, respectively. The full amount has been contributed for 2006 and 2005.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

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 qualified survivor benefit 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; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual 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 6.50 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 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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

Note 8 – Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 9 – Interfund Transfers

In 2006 and 2005, the General Fund transferred \$65,000 and \$70,000, respectively, to the Building Fund for the purchase and maintenance of various items throughout the Library.

Note 10 - Jointly Governed Organization

The Southeastern Ohio Library Organization (SOLO) is a regional library system created and jointly governed according to the provisions of the Ohio Revised Code §3375.90 through §3375.93. SOLO is composed of fourteen legally-separate libraries within Southeast Ohio: Barnesville Hutton Memorial Library, Bellaire Public Library, Caldwell Public Library, Guernsey County District Library, Kate Love Simpson Library, Martins Ferry Public Library, Monroe County District Library, Perry County District Library, Public Library of Steubenville and Jefferson County, Puskarich Public Library, Newark Public Library, St. Clairsville Public Library, and Washington County Public Library. SOLO is governed by a fourteen member Board of Trustees selected by the member libraries which consists of the library administrator or representative from each member library. SOLO provides annual training workshops for member library employees, technical training and assistance and a central graphic center. The Barnesville Hutton Memorial Library's control over budgeting and financing of SOLO is limited to its voting authority and its representation on SOLO's Board of Trustees. The Library paid an annual fee of \$3,750 in 2005. No fees were paid in 2006. The group dissolved membership on June 30, 2006.

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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 STANDARDSⁱ

Barnesville Hutton Memorial Library
Belmont County
308 East Main Street
Barnesville, Ohio 43713

To the Board of Trustees:

We have audited the financial statements of the governmental activities and each major fund of the Barnesville Hutton Memorial Library, Belmont County, Ohio (the Library), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 6, 2007, wherein we noted the Library followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

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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 the Board of Trustees. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

September 6, 2007



Mary Taylor, CPA
Auditor of State

BARNESVILLE HUTTON MEMORIAL LIBRARY

BELMONT 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
NOVEMBER 8, 2007**