



**Auditor of State
Betty Montgomery**

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

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Auditor of State Betty Montgomery

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 year ended December 31, 2004, 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 2, 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 the Barnesville Hutton Memorial Library, Belmont County, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund and the Hutton Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2004, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005, 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.

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

Betty Montgomery
Auditor of State

September 13, 2005

Barnesville Hutton Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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 year ended December 31, 2004, 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 2004 are as follows:

Net assets of governmental activities increased \$89,480, or 12 percent, a slight change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General and Building Funds.

The Library's general receipts are primarily intergovernmental, State Library and Local Government Support Fund (LLGSF). These receipts represent respectively 93 percent of the total cash received for governmental activities during the year. Intergovernmental receipts for 2004 changed very little compared to 2003 as development within the Library has slowed.

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 tell how services were financed in the short-term as well as what remains for future spending. Governmental financial statements report the Library's most significant funds individually. The Library's major funds are the General Fund, Hutton Fund, and Building Fund. 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.

Reporting the Library as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Library did financially during 2004, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the Library's activities at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational 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 and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. These factors must be considered when assessing the overall health of the Library.

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. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. These services are primarily funded by intergovernmental receipts.

Reporting the Library's Most Significant Funds

Fund Financial Statements

The Fund Financial Statements is an analysis of the Library's major funds. Fund financial statements provide detailed information about the Library's major funds. The Library uses several funds to account for its financial transactions. However, these fund financial statements focus on the Library's most significant funds. The Library's major governmental funds are the General Fund, Hutton Fund and Building Fund.

Barnesville Hutton Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Governmental Funds – All of the Library's activities are reported in governmental funds, which focus on how the money flows into and out of the funds as well as balances available for spending in future periods. The funds are reported using the modified cash basis of accounting. The governmental financial statements provide a short-term view of the Library's general government operations and the basic services provided. Governmental financial statements help the user determine whether there are more or fewer financial resources than can be spent in the near future to finance the Library programs.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	373,660	284,180
Investments	443,626	443,626
Total Assets	817,286	727,806
Net Assets		
Restricted for:		
Capital Outlay	230,459	177,501
Unrestricted	586,827	550,305
Total Net Assets	\$817,286	\$727,806

In 2004, total net assets increased \$89,480 or approximately 12.29 percent during 2004. The primary reasons contributing to the increase in cash balances are as follows:

- The Director resigned and the Board appointed the Children's Librarian as Acting Director; therefore, we were without a Children's Librarian for 4 months. The Board hired the Acting Director as Director and so then there was a lapse until a Children's Librarian was hired.

Table 2 reflects the changes in net assets in 2004. Since the Library did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Barnesville Hutton Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$0
Operating Grants and Contributions	0
Capital Grants and Contributions	0
Total Program Receipts	0
General Receipts:	
Intergovernmental	510,849
Unrestricted Gifts and Contributions	5,847
Interest	17,117
Miscellaneous	18,118
Total General Receipts	551,931
Total Receipts	551,931
Disbursements:	
Salaries & Fringe Benefits	276,615
Purchased & Contract Services	68,394
Library Materials & Information	107,162
Other	2,073
Capital Outlay	8,207
Total Disbursements	462,451
Increase in Net Assets	89,480
Net Assets, January 1, 2004	727,806
Net Assets, December 31, 2004	\$817,286

General receipts represent 100 percent of the Library's total receipts, of which 93% are intergovernmental receipts. 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 General Government represent the overhead costs of running the Library and the support services provided for library materials and information and other Library activities.

The Library's Funds

The Library's governmental fund financial statements are accounted for using the modified cash basis of accounting. The Library's major governmental funds are the General Fund, Hutton Fund, Building Funds. A review of these funds reflects an increase in the fund balances. There is a relatively small change in fund balances.

Barnesville Hutton Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund receipts were more than disbursements by \$38,205 indicating that the General Fund efforts to contain costs and limit expenses were successful. In light of the continued uncertainty regarding the Local Government Support Fund, it was recommended by the Board of Trustees and the administration that we continue to contain and reduce disbursements as needed.

General Fund Budgeting Highlights

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

During 2004, the Library amended its appropriations. The budgetary statement reflects both the original and final amounts appropriated.

Final disbursements were budgeted at \$504,298 while actual disbursements were \$445,000. Final receipts were budgeted at \$491,113 while actual receipts were \$540,205. Due to the watch on our disbursements we did not seek to appropriate the additional monies.

Capital Assets

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

Current Issues

As the preceding information shows, the Library heavily depends on the intergovernmental monies. With the Local Government Support Fund being frozen at the 2004 level for the calendar year 2005 and now 2006, the Library has decreased disbursements in many areas of the budget and moved 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, OH 43713, or email at brownbr@oplin.org.

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Barnesville Hutton Memorial Library, Belmont County

Statement of Net Assets - Modified Cash Basis

December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$373,660
Investments	<u>443,626</u>
<i>Total Assets</i>	<u><u>\$817,286</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$230,459
Unrestricted	<u>586,827</u>
<i>Total Net Assets</i>	<u><u>\$817,286</u></u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library, Belmont County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Salaries & Fringe Benefits	\$276,615			(\$276,615)
Purchased & Contract Services	68,394			(68,394)
Library Materials & Information	107,162			(107,162)
Other	2,073			(2,073)
Capital Outlay	8,207			(8,207)
<i>Total Governmental Activities</i>	\$462,451	\$0	\$0	(462,451)
		General Receipts		
				510,849
				5,847
				17,117
				18,118
				<i>Total General Receipts</i> 551,931
				89,480
				<i>Net Assets Beginning of Year</i> 727,806
				<i>Net Assets End of Year</i> \$817,286

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library, Belmont County

Statement of Modified Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2004

	<u>General</u>	<u>Hutton Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$105,717	\$37,484	\$230,459	\$373,660
Investments	0	443,626	0	443,626
<i>Total Assets</i>	<u>\$105,717</u>	<u>\$481,110</u>	<u>\$230,459</u>	<u>\$817,286</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$55,506	\$2,233	\$552	\$58,291
Unreserved:				
Undesignated, Reported in:				
General Fund	50,211			50,211
Special Revenue Funds		478,877		478,877
Capital Projects Funds			229,907	229,907
<i>Total Fund Balances</i>	<u>\$105,717</u>	<u>\$481,110</u>	<u>\$230,459</u>	<u>\$817,286</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library, Belmont County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Hutton Fund	Building Fund	Total Governmental Funds
Cash Receipts				
Intergovernmental	\$510,849			\$510,849
Patron Fines and Fees	17,902			17,902
Contributions, Gifts and Donations	5,847			5,847
Earnings on Investments	5,391	11,726		17,117
Miscellaneous	216			216
<i>Total Cash Receipts</i>	<u>540,205</u>	<u>11,726</u>	<u>0</u>	<u>551,931</u>
Cash Disbursements				
Current:				
Salaries & Fringe Benefits	276,615			276,615
Purchased & Contract Services	68,394			68,394
Library Materials & Information	93,754	13,408		107,162
Other	2,073			2,073
Capital Outlay	4,164		4,043	8,207
<i>Total Cash Disbursements</i>	<u>445,000</u>	<u>13,408</u>	<u>4,043</u>	<u>462,451</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>95,205</u>	<u>(1,682)</u>	<u>(4,043)</u>	<u>89,480</u>
Other Financing Sources (Uses)				
Transfers In			57,000	57,000
Transfers Out	(57,000)			(57,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(57,000)</u>	<u>0</u>	<u>57,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	38,205	(1,682)	52,957	89,480
<i>Fund Balances Beginning of Year</i>	<u>67,512</u>	<u>482,792</u>	<u>177,502</u>	<u>727,806</u>
<i>Fund Balances End of Year</i>	<u>\$105,717</u>	<u>\$481,110</u>	<u>\$230,459</u>	<u>\$817,286</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library, Belmont County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$456,913	\$456,913	\$510,849	\$53,936
Patron Fines and Fees	19,000	19,000	17,902	(1,098)
Contributions, Gifts and Donations	9,500	9,500	5,847	(3,653)
Earnings on Investments	5,000	5,000	5,391	391
Miscellaneous	700	700	216	(484)
<i>Total Receipts</i>	<u>491,113</u>	<u>491,113</u>	<u>540,205</u>	<u>49,092</u>
Disbursements				
Current:				
Salaries & Fringe Benefits	286,573	282,058	276,615	5,443
Purchased & Contract Services	71,800	98,871	68,394	30,477
Library Materials & Information	118,063	113,470	93,754	19,716
Other	56,632	2,073	2,073	0
Capital Outlay	2,000	7,826	4,164	3,662
<i>Total Disbursements</i>	<u>535,068</u>	<u>504,298</u>	<u>445,000</u>	<u>59,298</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,955)</u>	<u>(13,185)</u>	<u>95,205</u>	<u>108,390</u>
Other Financing (Uses)				
Transfers Out	0	(57,000)	(57,000)	0
<i>Total Other Financing (Uses)</i>	<u>0</u>	<u>(57,000)</u>	<u>(57,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(43,955)	(70,185)	38,205	108,390
<i>Fund Balance Beginning of Year</i>	44,642	44,642	44,642	0
Prior Year Encumbrances Appropriated	22,870	22,870	22,870	0
<i>Fund Balance End of Year</i>	<u>\$23,557</u>	<u>(\$2,673)</u>	<u>\$105,717</u>	<u>\$108,390</u>

See accompanying notes to the basic financial statements

Barnesville Hutton Memorial Library, Belmont County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Hutton Fund

For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Earnings on Investments	<u>\$0</u>	<u>\$0</u>	<u>\$11,726</u>	<u>11,726</u>
<i>Total Receipts</i>	<u>0</u>	<u>0</u>	<u>11,726</u>	<u>11,726</u>
Disbursements				
Current:				
Purchased & Contract Services	3,000	3,000	0	3,000
Library Materials & Information	<u>35,835</u>	<u>35,835</u>	<u>13,408</u>	<u>22,427</u>
<i>Total Disbursements</i>	<u>38,835</u>	<u>38,835</u>	<u>13,408</u>	<u>25,427</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(38,835)</u>	<u>(38,835)</u>	<u>(1,682)</u>	<u>37,153</u>
<i>Fund Balance Beginning of Year</i>	482,646	482,646	482,646	0
Prior Year Encumbrances Appropriated	<u>146</u>	<u>146</u>	<u>146</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$443,957</u>	<u>\$443,957</u>	<u>\$481,110</u>	<u>\$37,153</u>

See accompanying notes to the basic financial statements

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Note 1 – Description of the Reporting Entity

The Barnesville Hutton Memorial Library, Belmont County (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Board members of the Barnesville Exempted Village School District. The Library provides the community with various educational and literary resources. The Library is involved with the Southeastern Ohio Library Organization Regional Library System (SOLO) which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 8.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included to assure that the basic financial statements are not misleading. The primary government of the Library consists of all funds, departments, boards and agencies that are not legally separate from the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent upon the Library in that the Library approves their budget, the issuance of their debt or the levying of their taxes. The Library has no component units.

Note 2 – Summary of Significant Accounting Policies

These financial statements and notes are presented on a modified cash basis of accounting. The Library recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The 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 Government Accounting Standards Board (GASB) pronouncements.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and government wide financial statements versus budgetary expenditures are due to outstanding encumbrances at the beginning and end of the fiscal year.

A. Basis of Presentation

For fiscal year 2004, the Library has implemented the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed.

The Library's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and governmental 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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Library at year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the Library's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts are charges paid by the recipient of the goods or services offered by the function, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and interest earned on grants and contributions that is required to be used to support a particular function. Receipts which are not classified as program receipt are presented as general receipts of the Library. The comparison of direct disbursements with program receipts identifies the extent to which each government function is self-financing or draws from the general receipts of the Library.

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library only uses governmental fund types.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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 to be used for various library renovations.

C. Basis of Accounting

The government-wide statement of net assets and statement of activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/find equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

As a result of the modified cash basis of accounting, certain assets and their related receipts and certain liabilities and their related disbursements are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

D. Cash and Cash Equivalents and Investments

The Library's accounting basis includes investments as assets. Accordingly, the Library does not record investment purchases as disbursements or investment sales as receipts. The Library records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values common stock at fair value when donated.

E. Fund Balance Reserves

The Library reserves those portions of fund balance which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund reserves have been established for encumbrances.

F. Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Library may appropriate. The appropriation resolution is the Library's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Library. The legal level of control has been established by the Library at the fund/function level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Library throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Library during the fiscal year.

G. Cash Receipts – Exchange and Non-Exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the year in which the resources are received.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Non-exchange transactions, in which the Library receives value without directly giving equal value in return, include grants, entitlements and donations. On a modified cash basis, receipts from grants, entitlements and donations are recognized in the year in which the monies have been received

H. Cash Disbursements

On the modified cash basis of accounting, disbursements are recognized at the time payments are made.

I. Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the Library are recorded as disbursements at the time of acquisition. However, under the modified cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

J. Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

K. Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Library or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Library applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash 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. In the government-wide financial statements transfers within governmental activities are eliminated.

Note 3 - 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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 4 - Deposits and Investments

Ohio Law restricts deposits and investments to the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Clerk/Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: For year ended December 31, 2004, the carrying amount of the Library's deposits was \$373,660 and the bank balance was \$376,863. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$276,863 was uninsured and uncollateralized. Although all State 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.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 4 - Deposits and Investments (Continued)

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, 2004, was \$443,626 and the fair value of the donated common stock as of December 31, 2004, was \$540,857.

Note 5 – Risk Management

The Library has obtained commercial insurance for the following risks:

- Commercial Property Coverage
- Commercial General Liability Coverage
- Commercial Crime Coverage
- Commercial Inland Marine Coverage
- Commercial Auto Coverage

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension 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% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of 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 pension 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 pension 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 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or 800-222-7377.

For the year ended December 31, 2004, 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 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**BARNESVILLE HUTTON MEMORIAL LIBRARY
BELMONT COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

Note 7 – Post-Employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional pension or combined plans. Health care coverage for disability benefit 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 OPERS is considered an Other Post-employment Benefit (OPEB) 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 post-retirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 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 4.00 percent annually.

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

The number of active contributing participants in the traditional pension and combined plans was 369,885. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively. The Library has paid all contributions required through December 31, 2004.

Note 8 – 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, Muskingum County Library System, 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.

Note 9 – Related Party Transactions

The Library paid a \$4,000 annual fee to SOLO, a jointly governed organization.

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**Auditor of State
Betty Montgomery**

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

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 year ended December 31, 2004, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 13, 2005, wherein we noted the Library revised its financial presentation comparable to requirements of Governmental Accounting Standards Board Statement No. 34. 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

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*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Barnesville Hutton Memorial Library
Belmont 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 the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 13, 2005



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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 10, 2005**