

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Regular Audit
December 31, 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Hurt Battelle Memorial Library, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 1, 2009

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**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

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Perry & Associates
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INDEPENDENT ACCOUNTANTS' REPORT

March 31, 2009

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and general fund, of **Hurt Battelle Memorial Library, Madison County, Ohio** (the Library) as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements following the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America (GAAP).

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and the general fund of Hurt Battelle Memorial Library, Madison County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the general fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Hurt Battelle Memorial Library
Madison County
Independent Accountants' Report
Page 2

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.

Respectfully Submitted,

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

Perry and Associates
Certified Public Accountants, A.C.

HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2007
Unaudited

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the years ended December 31, 2007, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights are as follows:

Total assets of as December 31, 2007 were \$156,922, a decrease of \$53,826, or 25.5% from 2006.

The Library's general receipts are primarily Library and Local Government Support Funds (LLGSF). These receipts represent 89 percent of the total cash received for governmental activities during 2007. There has been no increase since January 2002.

Using the Basic Financial Statements

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

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Library as a whole.

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

The notes to the financial statements are an integral part of the government-wide 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, 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 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 2007 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. LLGSF makes up 90% of the receipts received. The other 11% consists of charges for services, gifts and donations, interest and miscellaneous receipts.

HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2007
Unaudited
(Continued)

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

In the Statement of Net Assets and the Statement of Activities, the assets and activity of the Library are represented as Governmental Activities. All of the Library's basic services are reported here.

Reporting the Library's Most Significant Fund

The Library has one governmental fund – General Fund

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

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2007 and 2006 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and Cash Equivalents	\$ 156,922	\$ 210,584
Total Assets	<u>\$ 156,922</u>	<u>\$ 210,584</u>
Net Assets		
Unrestricted	\$ 156,922	\$ 210,584
Total Net Assets	<u>\$ 156,922</u>	<u>\$ 210,584</u>

As mentioned previously, total net assets decreased \$ 53,826 or 25.5% during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- LLGSF, our major source of income has been frozen since January 2002.
- Material costs have increased during 2007 and 2006.

HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2007
Unaudited
(Continued)

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for Library activities.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Cash Receipts:		
Program Receipts:		
Charges for Services	7,913	10,599
Operating Grants and Contributions	22,120	24,460
Total Program Receipts:	30,033	35,059
General Receipts:		
Unrestricted Gifts and Contributions	3,997	2,011
Grants and Entitlements not		
Restricted to Specific Programs	376,566	376,566
Earnings on Investments	7,163	9,286
Miscellaneous	3,879	748
Total General Receipts:	391,605	388,611
Total Cash Receipts	421,638	423,670
Cash Disbursements:		
Current:		
Salaries and Benefits	246,924	248,704
Purchases and Contracted Services	51,445	45,355
Materials and Information	80,100	68,638
Supplies	8,213	9,327
Other	3,665	1,876
Capital Outlay	4,956	1,352
Debt Service:		
Redemption of Principal	25,000	25,000
Interest and Fiscal Charges	55,161	56,561
Total Cash Disbursements	475,464	456,813
Increase (Decrease) in Net Assets	(53,826)	(33,143)
Net Assets, January 1 (Restated See Note 2)	210,748	243,727
Net Assets, December 31	156,922	210,584

Receipts from LLGSF represent 90% of the Library's total receipts for 2007. All other receipts are insignificant in comparison. Receipts and disbursement activity from 2006 to 2007 remain fairly consistent for all material receipt sources and disbursement categories with the exception of Materials and Information which increased by \$11,462.

HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2007
Unaudited
(Continued)

Governmental Activities

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

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

(Table 3)

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Library Services:				
Salaries and Benefits:	\$246,924	\$246,924	\$248,704	\$248,704
Purchased and Contracted Services	51,445	51,445	45,355	45,355
Library Materials & Contracted Services	80,100	50,067	68,638	33,579
Supplies	8,213	8,213	9,327	9,327
Other	3,665	3,665	1,876	1,876
Capital Outlay	4,956	4,956	1,352	1,352
Debt Service:				
Principal	25,000	25,000	25,000	25,000
Interest	55,161	55,161	56,561	56,561
Total Disbursements:	\$475,464	\$445,431	\$456,813	\$421,754

The dependence upon the LLGSF is apparent as nearly 89% of governmental activities were supported through this fund in 2007

The Library's Funds

The governmental fund had receipts of \$421,638 and disbursements of \$475,464. The fund balance of the General Fund decreased as the result of increased costs for materials and not receiving growth in income from the LLGSF.

General Fund receipts were less than disbursements by \$53,826 in indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements and additional funds from the taxpayers in the form of a levy will be needed to maintain services.

HURT/BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

Management's Discussion and Analysis
For the Years Ended December 31, 2007
Unaudited
(Continued)

General Fund Budgeting Highlights

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

During 2007, the Library amended its General Fund budget lines to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected income from fines and donations.

Final disbursements for 2007 were budgeted at \$502,818 while actual disbursements were \$475,464. The Library used carryover money because frozen income from the LLGSF did not keep up with expenses.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently have Capital Assets.

Debt

As of December 31, 2007, the Library's outstanding debt stands at \$845,000 which is to be paid in installments through 2025.

Current Issues

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

Contacting the Library's Financial Management

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY

Statement of Net Assets - Cash Basis

For the Year Ended December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 156,922</u>
<i>Total Assets</i>	<u><u>156,922</u></u>
Net Assets	
Unrestricted	<u>156,922</u>
<i>Total Net Assets</i>	<u><u>\$ 156,922</u></u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Library Services:				
Salaries and Benefits	\$ 246,924	\$ -	\$ -	\$ (246,924)
Purchased and Contract Services	51,445	-	-	(51,445)
Library Materials and Informations	80,100	7,913	22,120	(50,067)
Supplies	8,213	-	-	(8,213)
Miscellaneous	3,665	-	-	(3,665)
Capital Outlay	4,956	-	-	(4,956)
Debt Service:				
Principal Retirement	25,000	-	-	(25,000)
Interest	55,161	-	-	(55,161)
<i>Total Governmental Activities</i>	<u>\$ 475,464</u>	<u>\$ 7,913</u>	<u>\$ 22,120</u>	<u>\$ (445,431)</u>
 General Receipts				
Unrestricted Gifts and Contributions				3,997
Grants and Entitlements not Restricted to Specific Programs				376,566
Interest				7,163
Miscellaneous				3,879
<i>Total General Receipts</i>				<u>391,605</u>
 Change in Net Assets				<u>(53,826)</u>
 <i>Net Assets Beginning of Year (Restated See Note 2)</i>				<u>210,748</u>
 <i>Net Assets End of Year</i>				<u><u>\$ 156,922</u></u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY

Statement of Cash Basis Assets and Fund Balance

Governmental Fund

For the Year Ended December 31, 2007

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 156,922
<i>Total Assets</i>	<u>156,922</u>
Fund Balances	
Unreserved:	
General Fund	156,922
<i>Total Fund Balances</i>	<u>\$ 156,922</u>

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance
Governmental Fund
For the Year Ended December 31, 2007

	General Fund
Receipts	
Library and Local Government Support	\$ 376,566
Patron Fines and Fees	7,913
Contributions, Gifts and Donations	26,117
Interest	7,163
Miscellaneous	3,879
<i>Total Receipts</i>	421,638
Disbursements	
Current:	
Library Services:	
Salaries and Benefits	246,924
Purchased and Contract Services	51,445
Library Materials and Informations	80,100
Supplies	8,213
Miscellaneous	3,665
Capital Outlay	4,956
Debt Service:	
Principal Retirement	25,000
Interest and Fiscal Charges	55,161
<i>Total Disbursements</i>	475,464
<i>Net Change in Fund Balances</i>	(53,826)
<i>Fund Balances Beginning of Year (Restated See Note 2)</i>	210,748
<i>Fund Balances End of Year</i>	\$ 156,922

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

HURT BATTELLE MEMORIAL LIBRARY- MADISON COUNTY

*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2007

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Library and Local Government Support	\$ 408,500	\$ 408,500	\$ 376,566	\$ (31,934)
Patron Fines and Fees	6,000	6,000	7,913	1,913
Contributions, Gifts and Donations	24,800	24,800	26,117	1,317
Interest	8,000	8,000	7,163	(837)
Miscellaneous	3,500	3,500	3,879	379
<i>Total receipts</i>	<u>450,800</u>	<u>450,800</u>	<u>421,638</u>	<u>(29,162)</u>
Disbursements				
Current:				
Library Services:				
Salaries and Benefits	269,557	269,557	246,924	22,633
Purchased and Contract Services	53,988	53,988	51,445	2,543
Library Materials and Informations	81,000	81,000	80,100	900
Supplies	8,354	8,354	8,213	141
Miscellaneous	4,382	4,382	3,665	717
Capital Outlay	5,376	5,376	4,956	420
Debt Service:				
Principal Retirement	25,000	25,000	25,000	-
Interest	55,161	55,161	55,161	-
<i>Total Disbursements</i>	<u>502,818</u>	<u>502,818</u>	<u>475,464</u>	<u>27,354</u>
<i>Net Change in Fund Balance</i>	(52,018)	(52,018)	(53,826)	(1,808)
<i>Fund Balance Beginning of Year (Restated See Note 2)</i>	<u>210,748</u>	<u>210,748</u>	<u>210,748</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 158,730</u>	<u>\$ 158,730</u>	<u>\$ 156,922</u>	<u>\$ (1,808)</u>

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

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Note 1 – Description of the Library and Reporting Entity

The Hurt Battelle Memorial Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library has its own Board of Trustees of seven members. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Clerk-Treasurer.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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

Note 2 – Prior Period Restatement

The Library made a fund balance adjustment in 2007 to adjust for a voided warrant that was reflected in the balance as of December 31, 2006.

	General Fund
Fund Balance at December 31, 2006	\$ 210,584
Adjustment for 2006 voided warrant	164
Adjusted January 1, 2007 Fund Balance	\$ 210,748

Note 3 - Summary of Significant Accounting Policies

As discussed, further in Note 2.C, the financial statements of the Hurt Battelle Memorial Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 3 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through Library and Local Government Support Fund receipts and other non-exchange transactions.

The Statement of Net assets presents the cash basis financial conditions of the governmental type activities of the Library at year-end. The Statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The Library accounted for transactions in a general fund only during 2007.

B. Fund Accounting

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

Governmental Funds

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

D. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 3 – Summary of Significant Accounting Policies (Continued)

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

E. Cash and Cash Equivalents

During 2007, investments were limited to STAR Ohio which is recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

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

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets at December 31, 2007.

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. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 3 – Summary of Significant Accounting Policies (Continued)

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Library has no restricted net assets at December 31, 2007.

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

L. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The library has no Fund balance reserves as of December 31, 2007.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

There were no encumbrances outstanding at year-end.

Note 5 – Deposits and Investments

Monies held by the Library are classified by State statute into three categories. Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 5 - Deposits and Investments (Continued)

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2007, the Library was not subject to custodial credit risk as the bank balance of \$28,333 was fully insured by 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

As of December 31, 2007, the Library invested in STAR Ohio. The carrying value as of December 31, 2007 was \$118,227.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 5 - Deposits and Investments (Continued)

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

Note 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 2007, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
France & Associates	Commercial Property	\$2,679,984
	General Liability	\$1,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 7 - Defined Benefit Pension Plan

The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007 the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations for the years ended December 31, 2007, 2006, and, 2005 were \$29,542, \$29,288, and \$26,845.respectively; the full amount has been contributed for 2007, 2006, and 2005.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

Note 8 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment 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 2007 local government employer contribution rate was 9.5 percent of covered payroll; 5.50 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, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 5.5 percent based on additional annual pay increases. Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50 and 5.00 percent for the next eight years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. Actual employer contributions for 2007 that were used to fund post-employment benefits were 13.85 % of covered payroll. The portion of employers contributions, for employers, allocated to health care was 5.00% from January 1, through June 30, 2007 and 6.00% July 1, 2007 through December 31, 2007. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. Members and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 - Notes Payable

A summary of the note transactions for the year ended December 31, 2007, follows:

	Interest			Balance	
	Rate	Additions	Reductions	December 31, 2007	Due Within One Year
<u>Governmental Activities</u>					
Facility Note- 2000 Issue	4.75- 6.6%	\$0	\$25,000	\$845,000	\$30,000

The Library issued Library Facilities Notes in the amount of \$999,000 during 2000. These notes were issued to construct an expansion of the Library building and renovations of the entire Library. The Library backs the securities from money received from the LLGSF, which is funded through the State of Ohio. These notes are for the duration of twenty five (25) years with varying interest rates of 4.75-6.6%. A summary of the Library's future long-term debt funding requirements, including principal and interest payments, as of December 31, 2007 follows:

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

Note 9 - Notes Payable (Continued)

Years	Principal	Interest
2008	\$ 30,000	\$ 53,593
2009	30,000	51,835
2010	30,000	50,083
2011	30,000	48,230
2012	35,000	46,150
2013-2017	205,000	193,950
2018-2022	275,000	116,605
2023-2025	210,000	21,450
Total	<u>\$ 845,000</u>	<u>\$ 581,896</u>

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

March 31, 2009

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities and general fund of **Hurt Battelle Memorial Library, Madison County, Ohio** (the Library) as of and for the year ended December 31, 2007, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 thru 2007-003.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Library's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency 2007-002 described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2007-001.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Library did not properly certify the availability of funds prior to purchase commitment for 29% of the expenditures tested during 2007.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-001 (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Library. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2007-002

Significant Deficiency/Material Weakness

Review of Basic Financial Statements

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

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

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

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

Management's Response – We did not receive a response from officials to this finding.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-003

Significant Deficiency

Posting Estimated Revenues

The Library did not enter estimated revenues accurately to the accounting system.

By not posting estimated receipts accurately to the accounting system, the Library lacked a significant management control of monitoring year-to-date total comparison of budgeted amounts versus actual amounts.

We recommend the Library implement procedures to ensure estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the board

Management's Response – We did not receive a response from officials to this finding.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No longer Valid, <i>Explain</i>
2006-001	Review of Basic Financial Statements	No	Repeat as Finding 2007-003



Mary Taylor, CPA
Auditor of State

HURT BATTELLE MEMORIAL LIBRARY

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 14, 2009