



**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bellevue Public Library
Huron County
224 East Main Street
Bellevue, Ohio 44811-1409

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Bellevue Public Library, Huron County, Ohio (the Library), as of and for the year ended December 31, 2006, 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 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Bellevue Public Library, Huron County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund 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 August 5, 2008, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

August 5, 2008

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

This discussion and analysis of the Bellevue Public Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2006, 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 for 2006 are as follows:

- Net assets of governmental activities increased \$205,389 or 30.3 percent, from the prior year.
- The Library's general receipts are primarily property taxes and the State Library Local Support Fund (LLGSF). These receipts represent respectively 24% and 63% of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased by \$101,846 over 2005 from the passage of the 1.0 mill levy in May 2005.
- The Library had a .8-mill operating levy approved by the taxpayers in 2000. The levy expired in December 2005 and generated approximately \$163,000 per year. The Library Board of Trustees placed a 5-year replacement levy on the May 2005 ballot for 1.0 mill. The levy passed by a 52% margin. Revenues from the new levy began January 1, 2006.
- State revenues for public libraries have remained unchanged for the past 3 years.
- The Library has not experienced any major changes in staffing levels over the past few years. Salaries have been increasing at the normal cost of living percentage rate.
- There are no other significant financial issues affecting the Library in 2006.

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, 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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

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 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by patrons for the Library's materials and services. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each library 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 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 nonfinancial factors as well such as the Library's property tax base, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes and LLGSF.

In the statement of net assets and the statement of activities, the Library has one type of activity.

Governmental Activities – All of the Library's basic services are reported here including general library and support services. These services are funded primarily by property taxes and LLGSF revenues.

Reporting the Library's Most Significant Funds

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

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental fund is presented on the financial statements in a separate column. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$883,508	\$678,119
Total Assets	\$883,508	\$678,119
Net Assets		
Restricted for:		
Capital Projects	\$24,709	\$24,709
Other Purposes	4,538	4,227
Unrestricted	854,261	649,183
Total Net Assets	\$883,508	\$678,119

As mentioned previously, net assets of Library activities increased \$205,389 or 30.3 percent during 2006. The primary reason contributing to the increase in cash balances is an increase in property tax receipts by \$101,846 over 2005 from the passage of a replacement levy with a .2 mill increase in May 2005 which was collected in 2006. Other reasons include the Library receiving a large contribution, increase in interest income and no significant increase in spending.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

Table 2 reflects the changes in net assets in 2006 comparative to 2005 activity.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$26,294	\$29,061
Total Program Receipts	<u>26,294</u>	<u>29,061</u>
General Receipts:		
Property Taxes Levied for General Purposes	266,214	164,368
Grants and Entitlements not Restricted	695,906	695,906
Unrestricted Gifts and Contributions	82,868	47,832
Earnings on Investments	31,245	19,969
Miscellaneous	973	4,892
Total General Receipts	<u>1,077,206</u>	<u>932,967</u>
Total Receipts	<u>1,103,500</u>	<u>962,028</u>
Disbursements:		
Library Services:		
Public Service and Programs	875,078	838,993
Capital Outlay	23,033	36,434
Total Disbursements	<u>898,111</u>	<u>875,427</u>
Increase in Net Assets	205,389	86,601
Net Assets, January 1	678,119	591,518
Net Assets, December 31	<u>\$883,508</u>	<u>\$678,119</u>

Program receipts represent only 2.38 percent of total receipts and are comprised of patron fines and fees.

General receipts represent 97.62 percent of the Library's total receipts, and of this amount, 24.71 percent are local taxes. Grants and entitlements not restricted include Library and Local Government Support Funds and represent 64.6 percent of total general receipts. Other receipts are less significant and somewhat unpredictable revenue sources.

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

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

Library Activities

If you look at the Statement of Activities, you will see that the first column lists the major costs for services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services which account for \$875,078 and 97.45 percent of all governmental disbursements. The next column of the Statement entitled Program Revenues identify amounts paid by people who are directly charged for the service. The net (Disbursements) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
Library Services:				
Public Service and Programs	875,078	848,784	838,993	809,932
Capital Outlay	23,033	23,033	36,434	36,434
Total Expenses	<u>\$898,111</u>	<u>\$871,817</u>	<u>\$875,427</u>	<u>\$846,366</u>

The dependence upon property and LLGSF is apparent as 97.07 percent of Library activities are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$1,103,500 and disbursements of \$898,111. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$205,078. The primary reason contributing to the increase in cash balance is an increase in property tax receipts by \$101,846 over 2005 from the passage of a replacement levy with a .2 mill increase in May 2005 which was collected in 2006. Other reasons include the Library receiving a large contribution, increase in interest income and no significant increase in spending.

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 most significant budgeted fund is the General Fund. The Bellevue Public Library Board of Trustees adopted a permanent appropriations measure in December 2005 for the calendar year 2006.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

During 2006, final estimated receipts were unchanged from original budgeted receipts. Actual receipts were \$85,189 higher than estimated receipts. The primary reason for the increase was due to a \$70,000 contribution received by the Library.

Final disbursements and other financing uses were budgeted at \$1,200,000 while actual disbursements and other financing uses were \$898,111 for a difference of \$301,889. The Board initially appropriated a \$150,000 transfer for the purchase of land but did not make the transfer in 2006. The Library kept spending below budgeted amounts as demonstrated by the reported variances. The result is the increase in fund balance of \$205,078 for 2006.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Library had no outstanding debt.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on state funding and local tax revenues. The Library Board of Trustees placed a 5-year replacement levy on the May 2005 ballot for 1.0 mill. The levy passed by a 52% margin. Revenues from the new levy began January 1, 2006. With the passage of the levy, the Library is in a solid financial position through 2010.

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 Bellevue Public 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 Mary Schultz, Fiscal Officer, Bellevue Public Library, 224 E. Main St., Bellevue, OH 44811-1409.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Cash and Cash Equivalents	<u>\$883,508</u>
Net Assets:	
Restricted for:	
Capital Projects	24,709
Other Purposes	4,538
Unrestricted	<u>854,261</u>
Total Net Assets	<u>\$883,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

	Expenses	Program Revenues	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Governmental Activities
Governmental Activities:			
Library Services:			
Public Service and Programs	\$875,078	\$26,294	(\$848,784)
Capital Outlay	23,033		(23,033)
Total Governmental Activities	\$898,111	\$26,294	(871,817)
 General Receipts:			
Property Taxes Levied for General Purposes			266,214
Grants and Entitlements not Restricted to Specific Programs			695,906
Unrestricted Gifts and Contributions			82,868
Earnings on Investments			31,245
Miscellaneous			973
Total General Receipts			1,077,206
Change in Net Assets			205,389
Net Assets Beginning of Year			678,119
Net Assets End of Year			\$883,508

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$854,261	\$29,247	\$883,508
Fund Balances:			
Undesignated, Unreserved, Reported in:			
General Fund	854,261		854,261
Capital Projects Fund		24,709	24,709
Special Revenue Fund		4,538	4,538
Total Fund Balances	\$854,261	\$29,247	\$883,508

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property Taxes	\$266,214		\$266,214
Library and Local Government Support	695,906		695,906
Patron, Fines and Fees	26,294		26,294
Contributions, Gifts and Donations	82,568	\$300	82,868
Investment Income	31,234	11	31,245
Miscellaneous	973		973
Total Receipts	<u>1,103,189</u>	<u>311</u>	<u>1,103,500</u>
Disbursements:			
Library Services:			
Public Service and Programs	875,078		875,078
Capital Outlay	23,033		23,033
Total Disbursements	<u>898,111</u>		<u>898,111</u>
Excess of Receipts Over Disbursements	205,078	311	205,389
Fund Balances Beginning of Year	<u>649,183</u>	<u>28,936</u>	<u>678,119</u>
Fund Balances End of Year	<u><u>\$854,261</u></u>	<u><u>\$29,247</u></u>	<u><u>\$883,508</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$255,000	\$255,000	\$266,214	\$11,214
Library and Local Government Support	694,000	694,000	695,906	1,906
Patron, Fines and Fees	27,500	27,500	26,294	(1,206)
Contributions, Gifts and Donations	20,000	20,000	82,568	62,568
Earnings on Investments	20,000	20,000	31,234	11,234
Miscellaneous	1,500	1,500	973	(527)
<i>Total Receipts</i>	<u>1,018,000</u>	<u>1,018,000</u>	<u>1,103,189</u>	<u>85,189</u>
Disbursements				
Current:				
Library Services:				
Public Service and Programs	1,031,200	1,025,825	875,078	150,747
Capital Outlay	18,800	24,175	23,033	1,142
<i>Total Disbursements</i>	<u>1,050,000</u>	<u>1,050,000</u>	<u>898,111</u>	<u>151,889</u>
<i>Excess of Receipts Over / (Under) Disbursements</i>	<u>(32,000)</u>	<u>(32,000)</u>	<u>205,078</u>	<u>237,078</u>
Other Financing Uses				
Transfers Out	(150,000)	(150,000)		150,000
<i>Net Change in Fund Balance</i>	(182,000)	(182,000)	205,078	387,078
<i>Fund Balance Beginning of Year</i>	<u>649,183</u>	<u>649,183</u>	<u>649,183</u>	
<i>Fund Balance End of Year</i>	<u>\$467,183</u>	<u>\$467,183</u>	<u>\$854,261</u>	<u>\$387,078</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Bellevue Public Library (the Library) was organized as a school district public library in 1891 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Bellevue City School District Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" the Library is considered to be a related organization of the Bellevue City School District.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, the financial statements of the Ritter Public Library have been prepared on a cash basis of accounting. This 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. The most significant of the Library's accounting policies are described below.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Library that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Library did not have any business type activities.

The statement of net assets presents the cash and investment balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

The Library uses funds to maintain its financial records during the calendar year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as Governmental.

Governmental Funds

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

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Cash and Cash Equivalents."

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

During 2006, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. Investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form. The certificates of deposits are recorded at cost.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2006 amounted to \$31,234. No portion of that amount was assigned from other Library funds.

F. 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.

G. 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.

H. 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.

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. 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. Restricted assets represent monies restricted for capital projects and endowment.

K. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds and eliminated from entity wide statements.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end (budgetary basis) for the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Library are classified by State statute into three categories.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$100 cash on hand.

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, \$15,408 of the Library's bank balance of \$187,264 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Library had investment in STAR Ohio of \$730,406.

The Library adopted an Investment Policy in October 1996. Four objectives are listed in order of priority: Safety – receiving full par value plus accrued interest at the investment's maturity; Liquidity – investments are to be structured to ensure adequate funds to meet the operational needs of the Library; Return on Investment - returns shall be at a market rate; Authorized Financial Institutions – as defined in the Ohio Revised Code and those with which the Library has executed current depository agreements.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Further, the Investment Policy requires investments to be listed in the name of the Library, requires two signatures and requires the Fiscal Officer to provide a quarterly report on the investments to the Board of Trustees.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Library's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM 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.

NOTE 5 – GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The State allocates LLGSF to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the 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.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Bellevue City School District. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Library due to the phasing out of the tax. In calendar years 2007-2010, the Library will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 5 – GRANTS-IN-AID AND TAX RECEIPTS – (CONTINUED)

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all Library operations for the year ended December 31, 2006, was \$1.00 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	Sandusky County
Residential/Agriculture	\$178,847,980
Commercial/Industrial/Mineral	31,195,910
Public Utility Property	
Real	2,446,900
Personal	13,070,090
Tangible Personal Property	32,474,190
Total Assessed Value	\$258,035,070

NOTE 6 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Library contracted with several companies for various types of insurance coverage as follows:

Company	Type of Coverage	Coverage
Cincinnati Insurance Company	Commercial	\$3,599,841
	Property	
	General Liability	1,000,000
	Commercial Crime	50,000
	Umbrella	1,000,000
Federal Insurance Company	Vehicle	500,000
	Errors & Omissions and Library Officials	1,000,000/3,000,000
Westfield Insurance	Fidelity Bond	20,000

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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 6 - RISK MANAGEMENT – (CONTINUED)

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

The Library offers coverage for employee health or liability insurance.

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, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$57,666, \$49,180, \$56,054 respectively; the full amount has been contributed for 2006, 2005, and 2004.

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 Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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

NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

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, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase .50 and 5.00 percent annually for the next eight years. In subsequent years (9 and beyond) healthcare costs were assumed to increase 4.00 (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$18,943. The actual contribution and the actuarial required contribution amounts are the same. The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarial accrued liability and the unfunded actuarially accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed for additional funds to be allocated to the health care plan.

NOTE 10 – CONTINGENT LIABILITIES

As of December 31, 2006 the Library was not involved in any lawsuits. Management believes there are no pending or future legal matters that would materially adversely affect the Library's financial condition.

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Mary Taylor, CPA

Auditor of State

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

Bellevue Public Library
Huron County
224 East Main Street
Bellevue, Ohio 44811-1409

To the Board of Trustees:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Bellevue Public Library, Huron County, (the Library) as of and for the year ended December 31, 2006, which collectively comprise the Library's basic financial statements and have issued our report thereon dated August 5, 2008, wherein we noted the Library prepared its financial statements in accordance with the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

August 5, 2008



Mary Taylor, CPA
Auditor of State

BELLEVUE PUBLIC LIBRARY

HURON 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
SEPTEMBER 4, 2008**