



**Auditor of State
Betty Montgomery**

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

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**Auditor of State
Betty Montgomery**

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, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Bellevue Public Library, Huron County, Ohio, as of December 31, 2005, and the respective changes in modified 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 October 10, 2006, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 10, 2006

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Bellevue Public Library (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2005, within the limitations of the Library's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$86,601 or 14.6 percent, from the prior year.
- The Library's general receipts are primarily from property tax and the State Library Local Support Fund (LLGSF). These receipts represent respectively 17% and 72% of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Government has slowed.
- The Library had no debt in 2005 or prior years. A 2003 parking lot construction project was over 95% complete by January 1, 2005. Any residual funds encumbered for the project were placed in an escrow account which was closed out in December 2005. The project was paid from accumulated funds.
- 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 will be approximately \$265,000 per year beginning 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 2005.

Using the Basic Financial Statements

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

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The attached statements reflect the Library's financial position during 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets, which presents the cash balances and investments of the governmental type activity 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, and contributions are donations from citizens and businesses. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how the governmental function draws from the Library's general receipts.

The Statements of Cash Receipts and Disbursements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, these changes are 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, one should also consider other non-financial 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 revenues.

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

Governmental Activities – All of the Library's basic services are reported here including general library 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 activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The funds of the Library are classified as governmental.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major 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 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$678,119	\$591,518
Total Assets	678,119	591,518
Net Assets		
Restricted for:		
Capital Outlay	24,709	175
Other Purposes	4,227	4,034
Unrestricted	649,183	587,309
Total Net Assets	678,119	591,518

Net assets of governmental activities increased \$86,408 or 15 percent during 2005. The primary reasons contributing to the increase in cash balance is due to a large contribution and decreased spending.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Table 2 reflects the changes in net assets in 2005 compared to 2004.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services	<u>\$29,061</u>	<u>\$26,313</u>
General Receipts:		
Property Taxes	164,368	163,741
Grants and Entitlements Not Restricted	695,906	693,107
Unrestricted Gifts and Contributions	47,832	14,295
Earnings on Investments	19,969	4,403
Miscellaneous	<u>4,892</u>	<u>1,962</u>
Total General Receipts	<u>932,967</u>	<u>877,508</u>
Total Receipts	<u>962,028</u>	<u>903,821</u>
Disbursements:		
Library Services	838,993	834,412
Capital Outlay	<u>36,434</u>	<u>64,784</u>
Total Disbursements	<u>875,427</u>	<u>899,196</u>
Increase in Net Assets	86,601	4,625
Net Assets, January 1	<u>591,518</u>	<u>586,893</u>
Net Assets, December 31	<u><u>\$678,119</u></u>	<u><u>\$591,518</u></u>

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

General receipts represent 97 percent of the Library's total receipts, and of this amount, 89 percent are property taxes and LLGSF. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for Library Services represent the overhead costs of running the Library 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, 2005
UNAUDITED**

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for library services which account for \$838,993 and 96 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 Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Library Services	\$838,993	\$809,932	\$834,412	\$808,099
Capital Outlay	36,434	36,434	64,784	64,784
Total Expenses	\$875,427	\$846,366	\$899,196	\$872,883

The dependence upon property taxes and LLGSF is apparent as 97 percent of governmental activities are supported by these general receipts.

The Library's Funds

Total governmental funds had receipts of \$962,028 and disbursements of \$875,427. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$61,874, due to a large contribution and decreased expenditures.

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 2004 for calendar year 2005.

During 2005, final estimated receipts were unchanged from original budgeted receipts. Actual receipts were \$42,113 higher than estimated.

Final disbursements were budgeted at \$1,141,736, which included carryover encumbrances, while actual disbursements were \$897,098. The Library kept spending lower than budgeted amounts. The result is the increase in fund balance of \$61,874 for 2005.

**BELLEVUE PUBLIC LIBRARY
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2005, the Library had no outstanding debt.

Current Issues

The challenge for all governments 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 the local tax revenues. In the fall of 2004 the Finance Committee of the Board of Trustees reviewed financial projections and recommended placing a 1-mill levy on the ballot in 2005. With the passage of the levy, the Library is in a solid financial position through 2010.

Contacting the Government'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, Clerk-Treasurer, Bellevue Public Library, 224 E. Main St., Bellevue, Ohio. 44811.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$678,119
Total Assets	<u>\$678,119</u>
Net Assets:	
Restricted for:	
Capital Projects	24,709
Other Purposes	4,227
Unrestricted	<u>649,183</u>
Total Net Assets	<u>\$678,119</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	Expenses	Program Revenues		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales		Governmental Activities
Governmental Activities:				
General government:				
Library Services	\$838,993	\$29,061		(\$809,932)
Capital Outlay	36,434			(36,434)
Total Governmental Activities	\$875,427	\$29,061		(846,366)
 General Receipts:				
Property Taxes Levied for General Purposes				164,368
Unrestricted Gifts and Contributions				47,832
Grants and Entitlements not Restricted to Specific Programs				695,906
Earnings on Investments				19,969
Miscellaneous				4,892
Total General Receipts				932,967
Change in Net Assets				86,601
Net Assets Beginning of Year				591,518
Net Assets End of Year				\$678,119

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$649,183	\$28,936	\$678,119
Fund Balances:			
Undesignated, Unreserved, Reported in:			
General Fund	\$649,183		\$649,183
Capital Projects Fund		\$24,709	24,709
Other Purposes		4,227	4,227
 Total Fund Balances	 \$649,183	 \$28,936	 \$678,119

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN MODIFIED - CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Receipts:			
Property Taxes	\$164,368		\$164,368
Library and Local Government Support	695,906		695,906
Patron, Fines and Fees	29,061		29,061
Contributions, Gifts and Donations	47,632	\$200	47,832
Investment Income	19,959	10	19,969
Miscellaneous	2,046	2,846	4,892
Total Receipts	958,972	3,056	962,028
Disbursements:			
General government:			
Library Services	838,976	17	838,993
Capital Outlay	16,386	20,048	36,434
Total Disbursements	855,362	20,065	875,427
Excess of Receipts Over (Under) Disbursements	103,610	(17,009)	86,601
Other Financing Sources (Uses)			
Transfers	(41,736)	41,736	
Total Other Financing Sources (Uses)	(41,736)	41,736	
Net Change in Fund Balances	61,874	24,727	86,601
Fund Balances Beginning of Year	587,309	4,209	591,518
Fund Balances End of Year	\$649,183	\$28,936	\$678,119

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 YEARS ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$163,600	\$163,600	\$164,368	\$768
Library and Local Government Support	690,259	690,259	695,906	5,647
Patron, Fines and Fees	26,300	26,300	29,061	2,761
Contributions, Gifts and Donations	20,000	20,000	47,632	27,632
Earnings on Investments	15,000	15,000	19,959	4,959
Miscellaneous	1,700	1,700	2,046	346
<i>Total Receipts</i>	<u>916,859</u>	<u>916,859</u>	<u>958,972</u>	<u>42,113</u>
Disbursements				
Current:				
Library Services	1,015,000	1,015,000	838,976	176,024
Capital Outlay	85,000	85,000	16,386	68,614
<i>Total Disbursements</i>	<u>1,100,000</u>	<u>1,100,000</u>	<u>855,362</u>	<u>244,638</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(183,141)</u>	<u>(183,141)</u>	<u>103,610</u>	<u>286,751</u>
Other Financing Uses				
Transfers Out		(41,736)	(41,736)	
<i>Total Other Financing Uses</i>		<u>(41,736)</u>	<u>(41,736)</u>	
<i>Net Change in Fund Balance</i>	(183,141)	(224,877)	61,874	286,751
<i>Fund Balance Beginning of Year</i>	<u>582,964</u>	<u>582,964</u>	<u>582,964</u>	
Prior Year Encumbrances Appropriated	4,345	4,345	4,345	
<i>Fund Balance End of Year</i>	<u>\$404,168</u>	<u>\$362,432</u>	<u>\$649,183</u>	<u>\$286,751</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

NOTE 1 – DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Bellevue Public 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 Clerk-Treasurer.

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, and 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," the Library is considered to be a related organization of the Bellevue City School District.

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 Bellevue Public Library have been prepared on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. 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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

NOTE 2 - 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 taxes, intergovernmental revenues and other nonexchange revenues.

A Statement of Net Assets presents the cash balance of the governmental 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Library's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

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:

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.

The other governmental funds account for capital projects.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

C. Basis of Accounting

The Library's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the 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 expenditures 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 revenues to be received during the year. These estimated revenues, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated revenues may be revised during the year if projected increases or decreases in revenue are identified by the Clerk Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

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

E. Cash and Cash Equivalents

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

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

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

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

During 2005, investments were limited to STAR Ohio and nonnegotiable certificates of deposit. The certificates of deposits and STAR Ohio investments are recorded at current value. 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, 2005.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2005 amounted to \$19,959. No portion of that amount was assigned from other Library funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent monies held for capital improvements and endowment.

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 modified cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, 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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

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

L. Interfund Transactions

Interfund transfers are reported as other financing sources/uses in governmental funds

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 5.

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 for the general fund presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). There were no encumbrances outstanding at year end (budgetary basis) for the general fund.

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by 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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies may 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).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

At year end, the carrying amount of the Library's deposits was \$226,131, and the bank balance was \$261,110. Of the bank balance \$161,110 was covered by federal depository insurance and \$100,000 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Library's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the federal Reserve Bank in the name of the Library. The Library had no deposit policy for custodial credit risk beyond the requirement of state statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirement could potentially subject the Library to a successful claim by the FDIC.

Investments

As of December 31, 2005, the Library had investment in STAR Ohio of \$451,888.

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.

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

Credit Risk: STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

NOTE 6 – 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 of any additional revenues the Library receives.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED
(Continued)**

NOTE 6 – GRANTS-IN-AID AND TAX RECEIPTS – (CONTINUED)

The electorate of the Bellevue Public Library passed a .8 mill tax levy in 1995. This five-year levy was subsequently renewed in 2000 and expired as of December 31, 2005. The property tax generated approximately \$163,000 per year. In May 2005 the electorate of the Bellevue Public Library passed a 1.0 mill five-year tax levy. This levy will generate approximately \$265,000 per year and will expire as of Dec. 31, 2010.

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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

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, 2005, was \$.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$176,552,720
Commercial/Industrial/Mineral	30,007,360
Public Utility Property	
Real	2,434,590
Personal	13,109,700
Tangible Personal Property	<u>46,208,530</u>
Total Assessed Value	<u>\$268,312,900</u>

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

NOTE 7 - 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 2005, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati	Commercial	\$3,599,841
	Property	
	General Liability	1,000,000
	Commercial Crime	50,000
	Umbrella	1,000,000
	Vehicle	500,000
France & Associates	Errors and Omissions	
	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.

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 8 - 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.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

NOTE 8 - DEFINED BENEFIT PENSION PLAN – (CONTINUED)

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$49,180, \$56,054, and \$59,801 respectively; the full amount has been contributed for 2005, 2004, and 2003.

The OPERS rates will increase for calendar year 2006 as follows: 9.0% for employees and 13.7% for employers.

NOTE 9 - 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 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$14,518. The actual contribution and actuarial required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) was \$10.8. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion respectively.

**BELLEVUE PUBLIC LIBRARY
HURON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

NOTE 9 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of HCPP, members and employers contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

NOTE 10 – INTERFUND TRANSFERS

The Library general fund transferred \$41,736 in funds to the Building and Technology capital projects fund for the purchase and maintenance of various items throughout the Library during calendar year 2005.

NOTE 11 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The Library contracted for an enlarged parking lot project in 2003. The project was nearly completed by December 2003 and the balance of the project was placed in an escrow bank account. In December 2005 the Board of Trustees passed a resolution to accept the Nonconforming Work of the contract. One half of the escrow balance was paid to the contractor and the balance, \$2,846, was deposited in the Building & Technology Fund.



**Auditor of State
Betty Montgomery**

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

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, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated October 10, 2006, wherein we noted the Library prepared its financial statements on the modified 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

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

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 10, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

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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
NOVEMBER 9, 2006**