



Mary Taylor, CPA  
Auditor of State



BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY

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# Mary Taylor, CPA

Auditor of State

Bluffton Public Library  
Allen County  
145 South Main Street  
Bluffton, Ohio 45817

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

April 27, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Bluffton Public Library  
Allen County  
145 South Main Street  
Bluffton, Ohio 45817

To the Board of Trustees:

We have audited the accompanying financial statements of the Bluffton Public Library, Allen County, (the Library), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Library to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library has elected not to reformat its statements. Since this Library does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Bluffton Public Library, Allen County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

April 27, 2007



**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$52,696		\$52,696
Other Government Grants-In-Aid	290,210		290,210
Patron Fines and Fees	7,045		7,045
Earnings on Investments	6,773	\$13,499	20,272
Contributions, Gifts and Donations	865		865
Miscellaneous Receipts	8,313		8,313
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	365,902	13,499	379,401
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	210,871		210,871
Purchased and Contracted Services	74,873		74,873
Library Materials and Information	57,602	7,854	65,456
Supplies	8,474		8,474
Other Objects	3,910		3,910
Capital Outlay		42,214	42,214
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	355,730	50,068	405,798
Total Cash Receipts Over/(Under) Cash Disbursements	10,172	(36,569)	(26,397)
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	140		140
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	10,312	(36,569)	(26,257)
Fund Cash Balances, January 1	161,722	305,378	467,100
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$172,034</u></b>	<b><u>\$268,809</u></b>	<b><u>\$440,843</u></b>

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

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$55,521		\$55,521
Other Government Grants-In-Aid	287,323		287,323
Patron Fines and Fees	8,094		8,094
Earnings on Investments	3,520	\$10,321	13,841
Contributions, Gifts and Donations	693		693
Miscellaneous Receipts	868	80	948
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	356,019	10,401	366,420
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Salaries and Benefits	212,154		212,154
Purchased and Contracted Services	95,124	7,071	102,195
Library Materials and Information	62,580		62,580
Supplies	8,154		8,154
Other Objects	4,952		4,952
Capital Outlay		162,748	162,748
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	382,964	169,819	552,783
Total Cash Receipts Over/(Under) Cash Disbursements	(26,945)	(159,418)	(186,363)
<b>Other Financing Receipts:</b>			
Sale of Fixed Assets	767		767
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(26,178)	(159,418)	(185,596)
Fund Cash Balances, January 1	187,900	464,796	652,696
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$161,722</u></b>	<b><u>\$305,378</u></b>	<b><u>\$467,100</u></b>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$25,530</u>	<u>\$25,530</u>

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

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Bluffton Public Library, Allen County, (the Library) as a body corporate and politic. The Bluffton Exempted Village School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library Foundation and the Friends of the Library are two non-profit groups that are also associated with the Library. Since the tax exempt status of these two organizations is based on their intent to support the Library, information regarding the relationship has been disclosed in Note 8.

The Library's management believes these financial statements present all activities for which the Library is financially accountable, except for the debt service fund for which the Bluffton Exempted Village School District, the statutory authority of the Library, has assumed the responsibility and that fund is reported in those financial statements (See Note 5).

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Library values certificates of deposit at cost. STAR Ohio is recorded at the share value for which the investment could be sold for on December 31, 2006 and 2005.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects, furnishing and equipping the Library, technology upgrades, site improvements, and permanent collection additions. This fund was used for the Library expansion project.

**E. Budgetary Process**

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	<b>2006</b>	<b>2005</b>
Demand deposits	\$84,650	\$16,369
Certificates of deposit	35,000	95,000
Total deposits	119,650	111,369
STAR Ohio	321,193	355,731
Total deposits and investments	\$440,843	\$467,100

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Library.

**Investments:** Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$351,714	\$366,042	\$14,328
Capital Projects	5,000	13,499	8,499
Total	<u>\$356,714</u>	<u>\$379,541</u>	<u>\$22,827</u>

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$419,456	\$355,730	\$63,726
Capital Projects	148,384	50,068	98,316
Total	<u>\$567,840</u>	<u>\$405,798</u>	<u>\$162,042</u>

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$358,302	\$356,786	(\$1,516)
Capital Projects	0	10,401	10,401
Total	<u>\$358,302</u>	<u>\$367,187</u>	<u>\$8,885</u>

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$416,650	\$382,964	\$33,686
Capital Projects	245,937	195,349	50,588
Total	<u>\$662,587</u>	<u>\$578,313</u>	<u>\$84,274</u>

**4. 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.

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Board of Tax Equalization adjusts these rates for inflation.

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

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

**4. GRANTS-IN-AID AND TAX RECEIPTS (Continued)**

Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants in Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**5. CONSTRUCTION BOND LEVY AND DEBT**

The Bluffton Exempted Village School District, the Library's taxing authority, authorized a construction bond levy of 1.18 mills, which passed in November of 2001; for the purpose of renovating, improving, and constructing an addition to the Bluffton Public Library. Debt was issued on behalf of the Library in the amount of \$1,965,000 in 2002. The School District has assumed responsibility for handling the proceeds of the levy and the repayment of the debt.

**6. RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library's OPERS members contributed 8.5 percent and 9.0 percent of their gross salaries for 2005 and 2006, respectively. The Library contributed an amount equal to 13.55 percent and 13.70 percent of participants' gross salaries for 2005 and 2006, respectively. The Library has paid all contributions required through December 31, 2006.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Bluffton Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine; and
- Errors and omissions.

**BLUFFTON PUBLIC LIBRARY  
ALLEN COUNTY**

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

**8. LIBRARY FOUNDATIONS**

The Library Foundation and the Friends of the Library are two non-profit groups that exist and operate toward the betterment of the Bluffton Public Library. These organizations are legally separate and are not fiscally dependent upon the Library. The Friends of the Library issued disbursements on behalf of the Library in the amounts of \$5,581 and \$337 for 2006 and 2005, respectively. The Library Foundation was inactive during the period.

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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*

Bluffton Public Library  
Allen County  
145 South Main Street  
Bluffton, Ohio 45817

To the Board of Trustees:

We have audited the financial statements of the Bluffton Public Library, Allen County, (the Library) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated April 27, 2007, wherein we noted the Library prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Library uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

We noted certain matters that we reported to the Library's management in a separate letter dated April 27, 2007.

### 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 did note certain noncompliance or other matters that we reported to the Library's management in a separate letter dated April 27, 2007.

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

April 27, 2007



**Mary Taylor, CPA**  
Auditor of State

**BLUFFTON PUBLIC LIBRARY**

**ALLEN 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  
JUNE 12, 2007**