



**Auditor of State
Betty Montgomery**

LANE PUBLIC LIBRARY
BUTLER COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Lane Public Library
Butler County
300 North Third Street
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of the Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Library as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 22, 2003

LANE PUBLIC LIBRARY
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Library and Local Government Support	\$6,580,802			\$6,580,802
Patron Fines and Fees	156,542			156,542
Earnings on Investments	30,757	\$238,546	\$16,030	285,333
Contributions, Gifts and Donations		10,000	17,399	27,399
Miscellaneous Receipts	30,238	10,000	1,534	41,772
Total Cash Receipts	6,798,339	258,546	34,963	7,091,848
Cash Disbursements:				
Current:				
Salaries and Benefits	3,617,755			3,617,755
Purchased and Contracted Services	1,011,102	86,263	3,188	1,100,553
Library Materials and Information	1,565,970		6,182	1,572,152
Supplies	108,885		325	109,210
Other	25,575			25,575
Debt Service:				
Interest Payments and Other Financing Fees and Costs	0		7,328	7,328
Capital Outlay	65,767	7,208	205	73,180
Total Cash Disbursements	6,395,054	93,471	17,228	6,505,753
Total Cash Receipts Over/(Under) Cash Disbursements	403,285	165,075	17,735	586,095
Fund Cash Balances, January 1	1,472,933	6,326,662	910,109	8,709,704
Fund Cash Balances, December 31	<u>\$1,876,218</u>	<u>\$6,491,737</u>	<u>\$927,844</u>	<u>\$9,295,799</u>
Reserves for Encumbrances, December 31	<u>\$382,943</u>	<u>\$36,856</u>	<u>\$2,022</u>	<u>\$421,821</u>

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

LANE PUBLIC LIBRARY
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Operating Cash Receipts:	
Earning on Investments	<u>\$81,466</u>
Total Operating Cash Receipts	<u>81,466</u>
Operating Cash Disbursements:	
Current:	
Purchased and Contracted Services	81,809
Capital Outlay	<u>14,162</u>
Total Operating Cash Disbursements	<u>95,971</u>
Operating (Loss)	<u>(14,505)</u>
Fund Cash Balances, January 1	<u>2,502,453</u>
Fund Cash Balances, December 31	<u><u>\$2,487,948</u></u>
Reserves for Encumbrances, December 31	<u><u>\$133,695</u></u>

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

LANE PUBLIC LIBRARY
BUTLER COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:				
State Income Taxes	\$7,135,130			\$7,135,130
Patron Fines and Fees	135,671			135,671
Earnings on Investments	134,071	344,758	11,116	489,945
Contributions, Gifts and Donations	35,116		21,676	56,792
Miscellaneous Receipts	49,329	3,173	302	52,804
Total Cash Receipts	<u>7,489,317</u>	<u>347,931</u>	<u>33,094</u>	<u>7,870,342</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	3,257,652			3,257,652
Supplies	105,728		476	106,204
Purchased and Contracted Services	1,033,618	80,873	7,037	1,121,528
Library Materials & Information	1,461,272		1,424	1,462,696
Other Objects	23,903			23,903
Debt Service:				
Interest Payments and Other Financing Fees and Costs			1,339	1,339
Capital Outlay	460,561	1,708,339	3,560	2,172,460
Total Cash Disbursements	<u>6,342,734</u>	<u>1,789,212</u>	<u>13,836</u>	<u>8,145,782</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,146,583</u>	<u>(1,441,281)</u>	<u>19,258</u>	<u>(275,440)</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		1,000,000		1,000,000
Transfers-Out	(1,000,000)			(1,000,000)
Total Other Financing Receipts/(Disbursements)	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	146,583	(441,281)	19,258	(275,440)
Fund Cash Balances, January 1	<u>1,326,352</u>	<u>6,767,942</u>	<u>890,851</u>	<u>8,985,145</u>
Fund Cash Balances, December 31	<u>\$1,472,935</u>	<u>\$6,326,661</u>	<u>\$910,109</u>	<u>\$8,709,705</u>
Reserves for Encumbrances, December 31	<u>\$613,250</u>	<u>\$41,639</u>	<u>\$4,902</u>	<u>\$659,791</u>

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

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Operating Cash Receipts:	
Earnings on Investments	<u>\$158,733</u>
Total Operating Cash Receipts	<u>158,733</u>
Operating Cash Disbursements:	
Current:	
Supplies	582
Purchased and Contracted Services	<u>5,920</u>
Total Operating Cash Disbursements	<u>6,502</u>
Operating Income	152,231
Fund Cash Balances, January 1	<u>2,350,222</u>
Fund Cash Balances, December 31	<u><u>\$2,502,453</u></u>

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

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Lane Public Library, Butler County, Ohio (the Library), is a school district library established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio according to Ohio Revised Code, Section 3375.15. The Library is directed by a seven member Board of Trustees appointed by the governing authority. The governing authority is the Hamilton City School District Board of Education. The Library provides the community with various educational and literary resources.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and 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 disbursements, respectively.

Certificates of deposit are valued at cost. Investments in STAR Ohio (the State Treasurer's Asset Reserve) are recorded at share values reported by the Funds. Mutual funds and U.S. Government securities are recorded at cost. Common stock is valued at the fair value of the stock on the day it was donated to the Library.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Library had the following significant capital project funds:

Capital Projects – This fund is used for building improvements and renovations, furniture, and equipment.

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant fiduciary funds:

Beverley B. Latta Trust – This expendable trust fund was established in 1999 and was given to the Library with no specific stated restrictions. The Library Trustees accepted this trust to be used for purposes as determined by the Board. The trust is administered by the First Financial Bank Trust Department. The investment is valued at fair value at the date of donation.

Gifts & Memorials Fund – This expendable trust fund is used to account for all contributions and income earned from investments made with gifts and memorials to the Library, except those for the Oxford Branch and special trust funds. Appropriations are set up and expenditures made as requested by donors.

Gifts & Memorials – Oxford Fund – This expendable trust fund is used to account for all contributions and income earned from investments made with gifts and memorials to the Oxford Branch. Appropriations are set up and expenditures made as requested by donors.

Marion Havighurst Endowment – This non expendable trust fund is used to account for an endowment in the amount of \$1,406,707 which was received in 1994 from the Walter E. Havighurst estate. The income from this endowment is to be used for the Oxford Branch. The trust is administered by the First Financial Bank Trust Department. The investment is valued at the fair value on the date of donation.

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 (Ohio Administrative Code, Section 117-8-01).

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. As of December 31, 2002 and 2001, the Library had \$470 and \$425 in petty cash on hand, respectively. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2002	2001
Demand deposits	\$814,543	\$699,299
Certificates of deposit	6,590,684	6,006,498
Total deposits	7,405,227	6,705,797
USAA Growth Mutual Funds (fair value of \$67,929 and \$99,588 at December 31, 2002 and 2001, respectively).	122,964	122,964
STAR Ohio	1,723,691	1,500,650
U.S. Government Securities	971,847	1,227,822
Common stock (valued at fair value on the date of donation, fair value was \$1,973,882 and \$2,617,740 at December 31, 2002 and 2001, respectively.)	1,559,545	1,654,499
Total investments	4,378,047	4,505,935
Total deposits and investments	\$11,783,274	\$11,211,732

Deposits: Deposits are either, (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury securities, common stocks, and USAA Growth Mutual Funds are held in book-entry form by the First Financial Bank, in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,056,284	\$6,395,027	\$1,661,257
Capital Projects	6,481,522	251,545	6,229,977
Fiduciary	1,272,656	106,023	1,166,633
Total	\$15,810,462	\$6,752,595	\$9,057,867

**LANE PUBLIC LIBRARY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,106,702	\$6,342,734	\$1,763,967
Capital Projects	6,293,274	1,789,212	4,504,062
Fiduciary	978,437	18,999	959,438
Total	<u>\$15,378,412</u>	<u>\$8,150,945</u>	<u>\$7,227,467</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 LLGSF is allocated 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. For fiscal year ending December 2002, the Annual Financial Report format changed. All revenue reported as State Income Tax for fiscal year ending December 31, 2001 was reported as Library & Local Government Support for 2002.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Library has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

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

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Lane Public Library also provides health insurance for full-time employees.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lane Public Library
Butler County
300 North Third Street
Hamilton, Ohio 45011

To the Board of Trustees:

We have audited the accompanying financial statements of the Lane Public Library, Butler County, Ohio (the Library), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 22, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. We also noted certain immaterial instances of noncompliance that we have reported to management of the Library in a separate letter dated September 22, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library in a separate letter dated September 22, 2003.

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 22, 2003



**Auditor of State
Betty Montgomery**

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LANE PUBLIC LIBRARY

BUTLER 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
OCTOBER 2, 2003**